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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2297

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EAST-WEST TRADE, CEMA'S EXTERNAL ECONOMIC STRATEGY EXAMINED

Budapest KULGAZDASAG in Hungarian No 5, May 82 pp 3-15

[Article by Andras Koves, main department chief of the Business and Market Research Institute: "East-West Trade and the External Economic Strategy of the CEMA Countries"]

[Text] Modern economics literature, mostly in the context of economic policy in countries starting to industrialize, employs the twin concepts of import-substituting versus export-oriented external economic policy to distinguish the two basic models of an economy's relationship with the world economy, whether the country in question is turning inward or outward in its development policy, isolating itself and preaching self-sufficiency or opening up its economy to the world economy [2, 3, 7, 18]. After the events of the 1970's--when the European CEMA countries' economic relations with the external world underwent profound changes--there can hardly be any objection to our premise that also the direction and nature of the European CEMA countries' external economic policies differ considerably. There is no question of letting ideological, political or other considerations determine in principle, independently of time and space, the framework within which their external economic policy can and must move. In contrast with the view prevailing earlier--which held that for the CEMA countries there can be only one kind of economic strategy: to supply as much of the domestic demand as possible from domestic production, and to subordinate external economic relations to the realization of this objective--on the basis of recent experience it is possible to formulate also another kind of strategy, one which holds that our objectives regarding economic growth and standard of living can be achieved through close participation in the worldwide division of labor.[1]

Essence of Choice

In many respects the alternative of turning inward or outward, of self-sufficiency or of opening up the domestic economy to the world economy, of import substitution or export orientation, confronts the CEMA countries quite differently than other parts of the world. This is a natural consequence of the CEMA countries' different level of development, economic potential and (production and export) structure, of their different social conditions and economic system, and of their different tools of external economic policy.

At the same time the choice that confronts the CEMA countries, unlike in the case of most developing countries, is not between an economic policy of national import substitution or export orientation, but between regional (i.e., CEMA-wide) import

substitution or of opening up the regional economies to the world economy in the widest sense. Although import-substitution efforts aimed at national self-sufficiency are no less characteristic of these countries (due to their economic systems and to the mechanism of their cooperation), these efforts generally are congruous with regional import substitution, with the concept of cooperation whose main aspiration is to supply as much of the CEMA countries' joint needs as possible from the community's own production (in other words, from the domestic production of the individual countries and through import from other CEMA countries).

For import substitution within CEMA differs historically and logically from the regional import-substitution policy through which the many blocs of developing countries have strived (and are striving) to break through the limits of national import substitution [9]. Regional import substitution within CEMA resulted from movement in the opposite direction: the countries joining CEMA abandoned the division of labor within the world economy. For them cooperation within CEMA was the alternative to participation in the integral world economy, and not to national isolation.

Since the late 1940's and early 1950's, of course, extremely important changes have occurred also in the CEMA countries' external economic policies. The original autarchic aspirations--which could not be realized even then--were replaced fairly soon by the realization that the CEMA countries needed to maintain and expand their imports from outside the region [4, 13, 20]. By the mid-1970's, as we shall see further on, import-substituting economic development became decidedly import-intensive, regardless of the CEMA countries' intentions.

Despite these changes, the outlined origin of CEMA cooperation does not make it any easier for the CEMA countries to choose today between regional import substitution and export-oriented development. As anywhere in the world, the choice of an alternative that is sound from the viewpoint of economic development raises also complex ideological and political problems, in addition to the economic ones.[2] And yet the choice between regional import substitution and opening up the domestic economy to the world economy does not mean at all a choice between world-economic relations and cooperation within CEMA. To think that opening up the domestic economies could harm CEMA cooperation would be turning the real economic interrelations upside down. The problem arises in the exactly opposite sense: without the intensive development of world-economic relations, cooperation within CEMA also will falter. The recent trends of the CEMA countries' economic development, their slowing growth rates, and their domestic and external economic stresses serve as a warning in this sense.[3]

Specifically because the problem has so many ramifications, and because misunderstandings and misinterpretations are so common, it is important to state clearly that also from the viewpoint of the CEMA countries, despite the enormous differences, this is a question whose development-strategy and economic-policy essence can best be expressed with the concepts of import substitution and export orientation.

We are speaking of external economic strategy as the basic direction of external economic policy, bearing in mind that a wide variety of import-substitution and export-oriented strategies is possible, in accordance with the specific conditions of the individual countries, their stages of economic development, and their domestic and foreign policies. (On the other hand, this also means that the characterization of a country's economic policy as import-substituting or export-oriented is no substiute for a detailed analysis.)

Concerning the characteristics of the two types of strategy: in agreement with Balassa [2] we must emphasize that, in our opinion, the specific characteristic of an outward-looking, export-oriented policy of economic development is not that it gives preference, among economic activities, to export over import substitution; to the contrary, its specific characteristic is that it abolishes the discriminatory conditions that hamper export, and values export as well as the activities that serve domestic use (or import substitution) on the basis of uniform criteria. However, such a uniform criterion can be only the effectiveness of production measured by the yardstick of the world market, and this effectiveness can be determined only by dismantling the artificial barriers separating us from the world economy, i.e., by developing an open economy or by increasing its openness.[4]

Therefore the concept of some "mixed" strategy of economic development, one that includes both the expansion of export and import substitution, is meaningless. The two strategies are incompatible not because an export-oriented policy rules out in advance that a country (or group of countries) can make arrangements for even long-term import substitution regarding certain products, groups of products or entire branches; or conversely, not because a strategy of import substitution rules out the development of a branch or activity for export purposes. As in the case of developing countries [2, 10], the two strategies are incompatible because they require completely opposite sets of economic instruments: export-orientation necessitates the development of an economic mechanism that is effectiveness-oriented and permits adjustment to changes in the external economic conditions, where the criteria for developmental, production and marketing decisions are reduced in the final outcome to ability to compete on the world market; import substitution, on the other hand, gives preference to ensuring domestic (or CEMA) supply, to establishing and developing domestic (or CEMA-wide) production, over considerations of effectiveness, and develops the domestic (or CEMA cooperational) mechanism accordingly. Thus--even though this sounds paradoxical--truly economic import substitution can be specific only to export-oriented strategy.

Choice Timely

But is it at all expedient to bring up now, at the beginning of 1982, the question of external economic alternatives? Are we not too late by at least a decade? Has not the CEMA countries' economic situation, particularly their indebtedness, limited the possibilities of action in domestic and external economic policy to such an extent that the question of choosing a strategy does not even arise?

These questions are truly warranted. With the worsening economic situation, the options of economic policy are indeed more limited: a choice today is more difficult to make than 3, 4 or 10 years ago. If in our analysis we still emphasize the timeliness of thinking in terms of alternatives, we do so specifically on the basis of the experience gained during the past decade. For it seemed logical from the very beginning that our increasing indebtedness to the West can result only in our turning inward: if the CEMA countries' import from the West has to be curtailed and there are domestic economic and foreign-market limits to the expansion of our export to the West, then the processes of the 1970's are turned upside down and the role and significance of relations within CEMA will (again) increase unavoidably, at the expense of external relations.[5]

And indeed: in the wake of their growing indebtedness the CEMA countries set as their objective the curtailment of their import from the West, the procurement within the CEMA region of a portion of the commodities imported earlier from the West, and the development of CEMA cooperation to this end. But these efforts, forced on the CEMA countries by their balance-of-payments situation, have nevertheless not resulted in the declining importance of trading with the West. In many CEMA countries trade with the West is expanding at a faster rate than trade within CEMA.[6] The convincing arguments for turning inward seem to be outweighed by even more compelling ones in favor of continuing to strive for an expansion of relations with countries outside CEMA. It would be a grave mistake to underestimate the effects that the worsening economic situation and the unfavorable external conditions have on limiting to a large extent the possibilities of an external economic choice (or in the extreme case even on removing these possibilities entirely, even for a longer period of time). But it would be an equally grave mistake to think that the economic factors which, in the early and mid-1970's, led to more lively economic relations with the West have now declined in their importance. To the contrary: the question of an external economic strategy is now more urgent than before. The CEMA countries' future economic development will depend primarily on how this question is decided, and on the consistency of the choice.

Increasing Openness in the 1970's, Some Factors of the Expansion of Import

How is it possible that the premises were correct, but not the conclusions? Because of their growing indebtedness, the CEMA countries had to strive, and actually did strive, to curtail their import from the West, and to substitute it with their mutual trade, yet their external relations did not really decline in importance. The expectations concerning the feasibility of import reduction and import substitution proved to be in conflict with the real economic conditions.

To wit, these expectations ignored the actual causes of the increase of import, and these causes are related partially to the general requirements of modern economic development, and partially to the CEMA countries' growing economic difficulties. Instead they assumed one-sidedly that the excessive increase of import could be blamed either on mistakes and shortcomings in economic policy or on temporary random factors (poor harvest, natural disasters), and therefore a substantial proportion of import consisted of unnecessary items that could be discontinued.

In retrospect it is indisputable that mistakes in economic policy also played a role in the rapid rise of import. Such mistakes included first of all--for example, in the case of Hungary--general maintenance of a relatively high rate of economic growth after 1973. It may be assumed that had the smaller CEMA countries curbed their economic growth immediately, when the changing world-market price ratios and the worsening opportunities to sell on the world market warranted their doing so (in other words, already in 1974 and 1975), then the subsequent stresses would have intensified to a lesser extent. But this mistake, which seems to be a mistake of business policy, stemmed specifically from the view which held--as both a justification and corollary of an import-substituting economic policy--that the trends of the world market could not and did not affect the CEMA countries' development, and that the situation of CEMA cooperation would remain unchanged even amidst the storms of the world economy.

But those who attribute the foreign indebtedness to mistakes in economic policy believe that the causes of this indebtedness must be sought primarily in decisions

resulting in "too rapid" expansion of relations with the West, particularly in the unnecessarily and unjustifiably high growth rate of import from the West. In the 1970's, in fact, Poland was the only CEMA country where a significant change occurred in economic policy, one that advocated and attempted an explicitely import-intensive acceleration of growth and modernization, really boosting the growth rate of import excessively, but without introducing in the economic system changes that would have enabled Poland to eventually repay the loans with which the rapid expansion of import was being financed.

In the other CEMA countries--despite the decisions to increase and diversify machinery imports--we cannot speak of a change in direction similar to the one in Poland. However, the demand for the importation of Western machinery and equipment increased in every CEMA country, regardless of whether the direction of their economic policy changed or not. Indeed, specifically regional import substitution demanded more and more import. Typical in this respect is the well-known fact that the joint CEMA projects required very substantial imports of Western technology.

But machinery and equipment were not the only import items to undergo rapid growth. No less important is the fact that to the CEMA countries' import list there were added permanently commodities and commodity groups that the traditional view on importation from the West would never have regarded as items to be obtained constantly from Western provenances. By the end of the decade these imports were beginning to exceed even machinery import. We have in mind two very different commodity groups (placed on the import list for very different reasons): first of all, grain (together with certain other foodstuffs); and secondly, the likewise very extensive group of industrial basic materials, semifinished products and parts used in production. In some of the smaller CEMA countries the proportion of this latter commodity group became dominant within their Western import--a good example of how development for the purpose of import substitution (which requires primarily the importation of machinery and equipment) becomes almost automatically more and more import-intensive development.

These processes are important not only because they reveal how wide is the circle of products that are lacking or are in short supply in the CEMA countries, and that this circle of products is not limited to high-technology products necessary for modernization. They are important also because they cast a different light on the problem of the feasibility of curbing import. For it always has been a misconception that state monopoly of foreign trade makes it possible to curb import at will, in accordance with the requirements of the balance of trade and the balance of payments. But import for the purpose of development can indeed be treated flexibly; it can be postponed for a time, although at the cost of effectiveness, and often it can be substituted; but a permanent curb on such import will seriously harm economic development. On the other hand, import to supply production and consumption (especially the import of foodstuffs) can be curtailed only at the cost of immediate shortages. Thus the expansion of the import list did not result at all in the inclusion of products of secondary importance that could easily have been substituted (of "toys," to use Domar's expression [6]). To the contrary: the notion proved increasingly illusory that from the circle of basic products (the ones that have to be imported in any case) it is easy to separate the products that are not absolutely essential, and that the import surplus will cease when the import of such nonessential products is discontinued.

It must be emphasized that the consequences of the domestic economic situation, of the employed economic policy, objectively caused imports to swell, independently of the intentions of economic policy. This is a key issue in our analysis, even if economic-policy decisions to accelerate the rate of economic growth and modernization--i.e., to boost machinery import--did play a role in this process, especially in the CEMA countries whose trade with the West expanded the most dynamically in the 1970's.

In other words: in the 1970's, at least from the viewpoint of import, the CEMA countries underwent a process of linking themselves more closely to the world economy, of making their economies more open, even though economic policy occasionally did not take cognizance of this process. The essence of the matter (and the reason why it is unrealistic to imagine that economic relations with the West can be curtailed without jeopardizing the basic social and economic achievements) is specifically that even economic policy opposed to opening up the economy, preferring regional or national import substitution instead, came up against the inevitability of broadening relations with the world economy, against the realization that the economy cannot develop and, what is more important, operate smoothly without increasing participation in the worldwide division of labor. And the foreign indebtedness, the most serious problem of the CEMA countries' economies at present, has been triggered specifically by the CEMA countries' inability to offset the faster growth of import--regardless of whether the acceleration of import was or was not intentional and planned, whether it occurred in accordance with, or against, the intentions of economic policy--by expanding export at the same rate. On the example of Hungary, we are able to offer a clear explanation: the need for a change of direction in economic policy (and not merely in business policy) was not fully recognized, and not soon enough. Due to the well-known difficulties of increasing the Soviet Union's production of energy and raw materials, not even the belated recognition of the primary importance of expanding export to the world market could evoke suitable changes in economic policy (in the system of institutions and in the economic mechanism) that would have been commensurate with the gravity of the new problems and the importance of the new tasks. In other words, a change in strategy did not occur, whereas the growing essential import, which does not lend itself to (prudent) curtailment, could be offset only through such a change.

Some Problems of Trade Within CEMA: Effects of Procurement Limits, Changing Terms of Trade and Bilateralism

From what has been said above it is quite clear that a close relationship exists between the CEMA countries' mutual economic relations and their growing import from outside the region. Because of the West's technological lead, the CEMA countries have always had to rely on import for modernization. But their growing dependence on food import indicates that attention is focusing on the absence of a regional solution to the development of agriculture and the population's food supply. And the growing import of industrial basic materials and semifinished products reflects the difficulties of cooperation (specialization and coproduction) in manufacturing, and especially the weaknesses of trade in intermediate products.

However, also a more general formulation of the relationship between the CEMA countries' mutual economic relations on the one hand, and their relations with the outside world on the other, is also necessary. Economists and policy-makers in the CEMA

countries have been aware for some time that a policy of development and cooperation to pursue regional import substitution unavoidably requires sacrifices in terms of effectiveness and modernness, and the numerous negative consequences of a cooperation mechanism corresponding to this concept of economic policy have likewise been clear to them. But they felt that these negative effects were offset by the secure and stable framework that CEMA cooperation provided for their rapid economic development, in contrast with the uncertainty and unpredictability, for political and cyclic reasons, of their linking up with the Western world economy.

From the viewpoint of the smaller CEMA countries, this stability means basically two things: first, that they can safely base even their long-range plans on their ability to supply the bulk of their increasing demand for raw materials from sources within CEMA, advantageously and on conditions known well in advance; and secondly, that CEMA will provide a reliable and large market for the export products of their developing manufacturing industries.

However, the conditions of CEMA cooperation changed just when the CEMA countries became indebted to the West and, therefore, were concentrating their efforts on improving the balance of their trade denominated in convertible currency. This change affected both the possibilities and the terms of procurement within CEMA.

As a result of the economic slowdown and accumulating stresses within the region, the procurement possibilities are becoming limited for objective reasons, independently of the intentions of the individual countries' economic policies. Thus the CEMA countries are able to supply through mutual trade only a declining proportion of their import demand. Since the late 1970's, due to the well-known difficulties in increasing the output of energy and raw materials in the Soviet Union, the smaller CEMA countries' possibilities of increasing their import of raw materials are especially limited, and they must even reckon with quantitative reductions in the supply of certain kinds of raw materials. At the same time--due mostly to the conditions of the traditional system of cooperation--mutual trade in industrial goods is proceeding in such a way that a very significant proportion of the demand for modern, high-technology products cannot be supplied from CEMA sources. Since the second half of the 1970's, this problem of long standing has been further intensified by slower rates of economic growth in the individual CEMA countries, and by the fact that balance-of-payment problems compelled them to curtail Western import intended for modernization and development. The difficulties of mutual trade are further complicated by the individual CEMA countries' efforts to sell as much of their "hard" commodities --i.e., the ones that can be sold also on the world market at favorable terms--as possible for convertible foreign exchange, rather than through clearing in transferable rubles, as is customary in trade within CEMA.

Of course, we do not wish to say that trade within CEMA could not be increased in many important commodity groups. The point is that while balance-of-payments problems in trade with the West should be leading to where the CEMA countries obtain an increasing proportion of their necessary imports through mutual trade at more favorable financial and clearing terms, they are being forced increasingly to buy on the world market even products that they traditionally obtained on the CEMA market. It is now a more common occurrence than in the past that not even the entire quantities specified in the annual or five-year agreements can be imported, or at least not according to the specified delivery schedules. Also in such cases, despite the boosting of domestic production and the introduced economy measures, import from outside

CEMA can make up for the shortages, but the foreign-exchange impact of such developments, often unforeseen, can be considerable.

In conjunction with the limitation of procurement possibilities on the CEMA market, here we will cite as an example only Hungary's foreign trade. Hungarian import from socialist countries, which expanded at an annual rate of 8.4 percent in the first half of the 1970's, increased in volume only at an annual rate of 2.9 percent in the period from 1976 to 1980. This is why it has not been possible--despite definite foreign-policy efforts--to significantly reduce the growth rate of import from non-socialist countries [17]. And yet the growth problems of the CEMA countries are making themselves felt in their full weight only since the end of the decade, as of 1979.

For the smaller CEMA countries the conditions of procurement, too, have become more difficult. Since the mid-1970's, their terms of trade with the Soviet Union are worsening. In exchange for their industrial goods and food products, they are buying mostly energy and raw materials from the Soviet Union. Therefore it is understandable that their terms of trade worsen considerably as the world market's price ratios are applied--with delay, which makes it more bearable for the small CEMA countries, but nevertheless very consistently--to trade within CEMA. This process will continue through the end of the plan period (1981-1985) even if the constant rise of real oil prices on the world market slows down or ceases entirely.[8]

Trade within CEMA has another important characteristic that cannot be disregarded when analyzing the effects of the limited procurement possibilities and unfavorable conditions: the effort to achieve bilaterally balanced mutual trade. This effort --which of course does not mean that substantial imbalances do not accumulate from time to time in trade between individual CEMA countries--can be traced back to the well-known fact that, in the case of bilateral clearing not in convertible foreign exchange, it is not worthwhile and even a disadvantage to achieve a trade surplus. Bilateralism in the described manner is itself one of the reasons why CEMA cooperation has not developed adequately [1, 12]. But so long as drastic one-way changes did not occur in the development of the terms of trade, the conditions of balancing were essentially given: the main question of mutual trade had always been the determination of the quantities and composition of the raw-material deliveries supplied by the Soviet Union. And the continuous rise of the deliveries enabled the smaller CEMA countries to rapidly expand also their export to the Soviet Union.

Since 1975, a new situation has arisen in this respect. Because the quantity of Soviet deliveries of raw materials is stagnating or increasing only slowly, while the prices of the raw materials are rising rapidly, balanced trade is feasible only if the value of the other CEMA countries' export to the Soviet Union rises at a rapid rate. But the prices of their export, which consists mostly of industrial goods and farm products, are rising slowly, and therefore they must rapidly increase the volume of their export. Amidst the efforts to bilaterally balance trade, the impact of the stresses that naturally arise from the consistently different growth rates of the import and export volumes makes itself felt partially in the domestic economies of the individual countries, by reducing the proportion of produced national income available for domestic spending; and partially it burdens the balance of trade with non-CEMA countries. The slower growth of import--even when accompanied by holding back the rate of economic growth, by domestic saving, and by development, often of very low effectiveness, to substitute domestic production for CEMA import--results in that a significant proportion of the dropout must be procured elsewhere. In

addition, to supply the various new import demands generated in the process of economic development it becomes increasingly necessary to use sources outside CEMA. Meanwhile the expansion of export to CEMA countries likewise demands substantial import from the West. Not only because the industrial development that will serve also in the long run to expand export to the CEMA countries is based to a large extent on the use of the modern machinery and equipment, licenses, know-how, etc. that must be purchased from the West. But also because the output of the export products itself requires the increasing use of industrial basic materials, semifinished products and subassemblies purchased on the world market. This is not only an important contribution to studying the mechanism and causes of indebtedness to the West, but it also makes clear why our dependence on the continuous expansion of import from the West unavoidably persists.[9]

Opening Up to the World Economy: the Need to Choose and Its Difficulties

If in trade within CEMA there are processes that will require also in the future the development of trade with the West, then it is impossible to consistently pursue a strategy of turning inward. For such a strategy would mean not only a decline of economic relations with other countries of the world, but also a decline of trade within CEMA as a direct result of this strategy. The share of CEMA trade within the individual countries' total trade turnover may increase, but this would hardly compensate them for the prolonged slowdown of production, the postponement of the economy's modernization, and for the damage to their mutual trade and the decline of their living standard that would result from loosening their ties with the world economy.

The outlining of the problem demonstrates not only why it is so urgent and timely, also from the viewpoint of trade within CEMA, to develop further relations with the world economy, but also how extremely difficult and complicated the problem is. For the other side of the coin is that the mentioned processes taking place within the CEMA countries' mutual trade are hampering the concentration of resources for objectives that can permit permanent restoration of the equilibrium of the balance of trade.

The experience of the past decades has taught us that development specializing in supplying the large-volume demands of the CEMA market does not provide an opportunity for the expansion of export to the world market in a wider sense. To the contrary, this direction of development conflicts with forming a macroeconomic structure and a product structure that are competitive on the world market. An opportunity for the expansion of export to the world market could be created if we were able to form the CEMA market's system of conditions and requirements on the basis of world-market criteria (price, credit and convertibility). However, the present mechanism of trade within CEMA, including the bilateral balancing of trade and the practice of offsetting by commodity groups and sometimes even by products in physical terms, influences the assortment and quality of the products, the schedule of deliveries, and in general the enterprises' entire attitude and behavior regarding development, production and marketing, in such a way that the enterprises are hardly able to meet simultaneously also the requirements for exporting to the world market.

These problems are making themselves felt especially strongly amidst the hardening limitations on procurement. The dynamic growth of the export volume within CEMA is becoming less effective than previously: it is not accompanied by a growth of import on stable and favorable conditions that previously was regarded as one of the

guaranties of economic development. And this is not only placing an increasing burden on the individual countries' balance of payments, but--and this is the most important—it is creating a situation such that less resources and energy than what would be necessary can be allotted to develop the ability to export to the world market.

In our analysis of Hungarian foreign trade in the 1970's, Gabor Oblath and I drew the following conclusion: "The continuous worsening of the terms of trade, parallel with the stagnation of the import volume, may make it increasingly difficult to implement structural change in practice, and may limit the possibilities for a regrouping of resources that could expand efficient competitive export. Under these conditions, however, not only would the possibilities for real economic structural changes become much narrower, but economic policy itself would be confined--against its will--within increasingly narrower limits, and it would increasingly find itself unable to do anything else than try to exploit the short-term advantages that would be becoming more and more doubtful . . .."

From the preceding it is presumably clear to the reader that the path of further development is by no means predetermined, just as it proved not to be predetermined at the beginning of the 1970's. The CEMA countries' external economic policy can take many different directions, depending to a large extent on how they attempt to solve and can solve the dilemma that while their own economic situation--including the situation of CEMA cooperation--makes it increasing unavoidable to intensively develop economic relations with the outside world, it (together with many other factors, particularly international political and world-economic ones) also makes this intensive development more difficult. The possibility is not excluded that the external economic policies of the individual countries may be very diverse also in the future, just as their economic situation has lately become more and more diversified.

But it should be emphasized that in the present state of the world economy, and especially in the present state of the CEMA countries' economies, a "consistent" policy of regional import substitution , of the kind that the CEMA countries set as their objective in the 1950's, which would want to develop CEMA cooperation at the expense of external economic relations, by dismantling them, would be completely unrealistic. In this sense the aforementioned dilemma cannot be solved by turning inward. But from this it also follows that even if the individual countries do not clearly choose the other alternative, or if they--under the pressure of the stresses and/or unable to rid themselves of their traditional views--set even more emphatic self-sufficiency and (national or regional) import-substitution objectives, the possibility of another kind of external economic strategy, one that starts out from the need to intensively develop relations with the world economy and regards also the future dynamism of relations within CEMA as a function of integration into the world economy, will remain an evergreen issue.

However, in the debate that Hungarian economist are conducting on these questions, the views today differ not so much on whether an external economic strategy based on opening up the domestic economy is desirable or "proper," rather on the prospects of such a strategy's success, and whether its realization is at all feasible.

This question applies to both the internal and external conditions of the external economic strategy. On the one hand Hungarian economists are probing whether the system of socioeconomic conditions, the economic environment in which the

enterprises are operating, is suitable for the consistent realization of an economic policy under which the enterprises, given incentives as well as commands, will be able to pursue developmental, production and marketing policies that will be successful even in the changing environment of the world economy. Whether it will be possible to introduce the economic and, to a large extent, social reforms that will provide the internal base of, and impart meaning to, the new external economic policy. On the other hand, they are also weighing whether the international political situation and the state of the world economy, the trade-restricting policies of many Western countries toward the Soviet Union and other nations, the debtor or borrower position of the CEMA countries, and protectionism that is again on the upsurge (including the Common Market's protectionism that seriously affects particularly the European CEMA countries, due to the geographic distribution of their markets) provide the external conditions for the realization of a policy that calls for opening up the CEMA countries' economies to the world economy. Whether the Western partners are aware that the the political and economic interests associated with opening up the CEMA countries to the world economy are mutual interests. If other CEMA countries do not choose this alternative, how will this affect the possibilities of opening up the economy.

Well, there are no ready answers to these questions. The author ventures to support the second alternative, the only one that is appealing in terms of its effects upon society and its well-being, not because he believes that the second alternative can be realized more easily than the first one. He ventures his support because--in contrast with the economic policy of turning inward, which makes the economic development of the individual countries contingent on external effects over which the countries have no meaningful control--the barriers that hamper an opening toward the world economy are mostly performance barriers[10] whose weakening will depend to a large extent on how the given countries develop their ability to export.

Which of course does not mean that we are certain from the very outset about the attainability of the performance with which these barriers can be weakened. It is not at all certain that in the structure of the industrial products in the widest sense, in their quality and assortment, in the enterprises' ability to adjust, or--as a condition of all this--in the economic environment in which the enterprises have to operate and thus also to export to the world market, there will actually occur the changes that will result in a subtantial improvement of the ability to export. We merely believe that progress along this road is possible, and that this progress will depend primarily on the individual countries' economic policy.

On the other hand, we likewise do not believe that the market barriers which have been raised to the individual countries' export will be significantly relaxed in the future. Thus we have no illusions regarding a significant improvement in the business cycle in the near future, or that the terms of trade will shift in favor of the smaller CEMA countries. But we do believe that the barriers to the individual countries' export are global barriers, and that the manner in which an exporter shapes his position on a specific market amidst the very strict global barriers will depend to a very large extent on his performance.

Thus in conclusion we cannot foster any illusions that the European CEMA countries --considering their present level of development, the structure of their economies, and their given economic mechanisms--are in a situation such that for them it is an easy task to improve their positions in Western markets. Under the given circumstances, they have to solve extremely complicated and far-reaching problems. In a certain sense--as this study has attempted to demonstrate--the problems are even

more complicated than in the countries which in the period since World War II--some sooner, other later--have switched from a policy of import substitution to export orientation, whereby they have been able to speed up their economic development and significantly increase their presence on the international markets for industrial goods.

FOOTNOTES

1. For an earlier exposition of this view, see [13] and [14] in the Bibliography.

2. A frequent objection, for example, is that opening up the CEMA countries' economies could lead to where the share of nonsocialist countries within the total foreign trade of individual CEMA countries will become dominant, which cannot be reconciled with the international political conditions. Such reasoning stems from the view expounded in Stalin's well-known work, according to which the CEMA countries are not one of the regions of the world economy, linked in some way to the entire whole and to the other regions; instead there are two separate world markets developing independently of each other [22]. Therefore this view is able to disregard such fundamental facts as, for example, the European CEMA countries' already 8-percent share of world trade, in the light of which there really is no economic argument to explain why it would be advantageous for the member nations to conduct also in the future one-half or two-thirds of their total foreign trade with one another.

3. It is an entirely different question that establishment of intensive relations with the world economy will require a different concept of regional cooperation than the present one, and also a different type of mechanism, which itself would be a tool of export-oriented economic development [5].

4. The stimulation and support of export by suitable methods are a natural concomitant of this alternative. But the practice of export stimulation—no matter how widespread--does not in itself prove that economic policy is turning outward and is export-oriented. The stimulation of less efficient export whose structure is unfavorable, the reallocation of commodities to export that originally were intended for domestic use, etc. suit the strategy of import substitution very well, especially when restoration of external economic equilibrium is an urgent task. However, such a policy has nothing in common with export orientation, and it can even hamper an improvement of the ability to export if it leads to perpetuating an obsolete structure.

5. Most Western experts, investigating East-West trade in the context of world-economic changes, have leaned toward this conclusion from the very beginning [3, 18, 19, 21]. The arguments in favor of turning inward are presented in detail in [14].

6. It is typical that despite the efforts at the end of the decade to curb import, in 1979 (at current prices and the official exchange rates) a larger share of most European CEMA countries' total import (the Soviet Union, Romania, the GDR, Hungary and Poland) originated from provenances outside CEMA than in 1970. Since 1975, only in Poland among these countries has the rising share of trade with countries outside CEMA been reversed.

in Hungary, on the other hand, the growth of the volume of import from the West exceeded that from socialist countries specifically at the time (in the second half of the 1970's) when economic policy, because of balance-of-payments problems, was striving to curtail import from the West and to boost import from the socialist countries [17].

In the Soviet Union between 1970 and 1980, import from outside the community increased nearly 40 percent faster than import from within CEMA. Not even in the second half of the 1970's, amidst the price changes that favored the Soviet Union, did the volume of Soviet import from the CEMA countries rise faster than the volume of purchases from the West and from developing countries.

7. For a comprehensive exposition of this problem, see [1].

8. To illustrate the magnitude of the problem, in 1980 Hungary's terms of trade were worse by 19.9 percent in trade with the other socialist countries, and by 14.5 percent worse in trade with nonsocialist countries, than 10 years earlier [17].

9. Here we are spelling out the questions of external economic strategy from the viewpoint of the smaller CEMA countries. So far as the Soviet Union is concerned, many of the questions arise in a different manner, due to the Soviet Union's lower foreign-trade sensitivity, different traditions, etc., and partially because the problems of trade within CEMA affect the Soviet Union differently than the other CEMA countries. But as we have pointed out elsewhere [15, 16], the Soviet economy's import intensity and reliance on import from the world market (primarily food, raw materials, and also machinery and equipment) are also increasing vigorously. At the same time, however, due to the situation of the Soviet production of raw materials (and to the latest price trends on the oil market), also in the case of the Soviet Union the offsetting of the growing import with export cannot be solved without additional effort. Therefore we regarded the question of external economic policy alternatives applicable also to the Soviet Union.

10. Regarding the nature of export barriers, see [14] and [17].

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CERTAIN MEASURES ASSOCIATED WITH NEW ECONOMIC MECHANISM OUTLINED

Sofia FINANSI I KREDIT in Bulgarian No 4, 1982 pp 3-12

[Article by Ivan Angelov, First Deputy Minister of Finances: "The Tasks of the Financial System in 1982 Under the Conditions of the New Economic Mechanism"*]

[Text] The past year was one of major political events. It will go down in the history of our people as the year of the 12th BCP Congress. This congress reported on the fulfillment of the party's program for the previous decade and elaborated the strategy and tactics for building a developed socialist society during the 8th Five-Year Plan and up to 1990. In 1981, the communists and all the people celebrated the 90th anniversary of the founding of the revolutionary Marxist party. Twenty-five years have also passed since the holding of the historic April Plenum of the Party Central Committee. The 1300th anniversary of the founding of the Bulgarian state was also celebrated with proper solemnity.

In honor of these jubilees, in 1981, the labor collectives in the nation fulfilled and over fulfilled their counterplans for the first year of the 8th Five-Year Plan. New qualitative changes occurred in the development of the material and technical base and in raising the standard of living of the people.

According to the preliminary data, the produced national income reached 22 billion leva. The annual plan was also fulfilled for social labor productivity and for aggregate profit.

In 1981, as a total for the nation, fixed capital valued at 5.9 billion leva was put into operation.

In comparison with 1980, foreign trade turnover rose by 15 percent.

The income of the population increased. The average monthly wages of workers exceeded 190 leva.

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* From a report given at the National Conference of the Official, Party and Social Aktiv from the Central Administration and Divisions of the Ministry of Finances and the Chiefs of the Finances Administrations Under the Okrug People's Councils (Sofia People's Council) on 25 February 1982.

In following these trends in carrying out the 1981 Unified Plan for the Socioeconomic Development of the Nation, the state budget was successfully concluded. The measures adopted by the Party Central Committee and by the government to fulfill the Unified Plan for the Socioeconomic Development of the Nation, for disclosing and utilizing additional income, for restricting the unproductive expenditures and for the economic and efficient use of budget funds created the conditions to ensure additional budget sources and these were used to cover the increased purchasing prices for agricultural products, for the in-kind bonuses of concentrated feed for the private farms for the meat produced by them and so forth.

The basic areas of work for the collectives in the system of the Ministry of Finances in 1981 were determined by the main socioeconomic task of the 8th Five-Year Plan as approved by the 12th Congress. These were: to continue the line of integrated satisfaction of the continuously growing material, spiritual and social needs of the people on the basis of intensifying the national economy, the consistent application of the new economic approach and its mechanism and the further improvement of socialist social relations. The congress also posed the task of increasing the role of profit in economic activities and this is to be established as the criterion for the efficiency of production and economic activities as well as the basis for organizing the distribution processes. In accord with the congress decisions, the financial and credit system must have a more immediate and dynamic effect on the successful development of the economy for strengthening thriftiness and for raising financial discipline.

In 1981, a great effort was made in preparing to improve the economic mechanism, particularly in line with the use of profit as the basis for organizing the distribution processes and taxation.

The draft of the 1982 State Budget was submitted on time to the Council of Ministers and the National Assembly.

The task was successfully carried out of financing the national economy in the aim of creating conditions to carry out the Unified Plan for the Socioeconomic Plan for the Nation. The planned funds were provided in accord with the party decisions for a more immediate and dynamic impact by the financial system on the successful development of the economy, for strengthening thriftiness and increasing financial discipline.

In 1981, the necessary additional work was carried out to fulfill the party decision to increase the pensions for the cooperative farmers, involving around 420,000 persons.

Work was improved in the area of customs control for protecting the state monopoly of foreign trade and for preventing losses for the national economy in the importing, exporting and border processing of goods as well as customs and foreign exchange violations.

Auditing financial control improved its activities and focused its attention on checking out the questions related to the introduction of cost accounting and the brigade organization of labor, the new economic approach and the application of its mechanism, as well as for the most efficient use of raw products, materials, fuel

and energy, financial means and working time. A further improvement was continued in the integrated financial audits in the ministries, state economic organizations and people's councils. The application of the comprehensive method has made it possible to analyze the problems on a more integrated and thorough basis and to disclose the reasons for the ascertained weaknesses and violations.

At the same time the arising problems were solved in the area of organizing accounting and the movement of materials in line with the application of the economic approach and its mechanism.

The quality and effectiveness of the legal expert accounting examinations were improved and positive evaluations were given for a larger portion of them.

In 1981, special attention was devoted to the weaknesses and shortcomings in the work and particularly to those raised in the press, radio and television. An effort was made to promptly take measures to eliminate these weaknesses and to give an answer to the mass information media at a certain date.

As a result of the concern shown, the administrative services for the citizens have continuously improved.

The collective of the State Insurance Institute worked successfully to provide insurance protection for the socialist economic organizations and the citizens in the nation. Specific rules were elaborated and approved for applying the economic mechanism in the institute's activities and these came into effect on 1 January 1982.

In 1981, the collective of the Bulstrad AD [a joint stock company] carried out its tasks and created conditions to organize its activities in 1982 on the basis of specific rules for the application of the economic mechanism.

1982 is the second year of the 8th Five-Year Plan. During it steady work will be continued to carry out the decisions of the 12th BCP Congress, to provide across-the-board intensification of the national economy on the basis of introducing the achievements of the present-day scientific-technical revolution and foreign and Bulgarian advanced experience and for further satisfying the constantly growing material, spiritual and social needs of the people.

Of enormous significance for successfully carrying out the party decisions are the instructions of the General Secretary of the Central Committee and Chairman of the State Council, Comrade Todor Zhivkov, and particularly those given at the National Conference for the Party, State, Economic and Social Aktiv held on 24 October 1981. Comrade Todor Zhivkov established and explained the economic tactics and strategy as well as the specific approach to carrying out the congress decisions. Of particularly important significance in this area is the concept that the state is the owner of socialist property under socialism and as the representative of the people it acts under their powers in the interest of all society while the corresponding collectives are the master of the socialist property. Precisely this is the initial concept in forming and applying the new economic approach in national economic leadership. The instructions of Comrade Zhivkov served as a basis for further improving the economic mechanism and for its amendment and supplementing in the aim of bringing it into accord with the real requirements of social management during the

8th Five-Year Plan. In order to meet these requirements, in the Decree No 53 of 31 December 1981, the Council of Ministers adopted a new Regulation Governing the Economic Mechanism and this was the specific implementation of the economic approach in all spheres of social life.

Comrade Todor Zhivkov emphasized that "our economic policy can be successfully implemented if the new economic approach is consistently introduced everywhere. The question of questions at present is to apply all the component elements of the new economic approach and its mechanism on a comprehensive basis at each economic organization, in each brigade and in all social activity."

The economic approach is universally linked with all aspects of activity in the financial system. This requires integrated functional and control work by the Ministry of Finances and its bodies in aiding in the complete application of the new economic approach and its mechanism. However this task can be carried out only in studying the Regulation Governing the Economic Mechanism. It is essential to master the principles of the new economic approach and its essence and to solve the questions and tasks on this basis. Consequently, it is the question of reorganizing the manner of thinking of all co-workers in the ministry in a spirit of the new economic approach and of introducing a style and method of work corresponding to the new requirements.

The main and basic thing in the work of the collectives from the system of the Ministry of Finances this year is active participation and assistance in consistently and creatively applying the economic mechanism in all spheres of the national economy and in all social activity.

In accord with the general functional competence of the Ministry of Finances, attention must be focused on the problems involving financial relationships and the tasks stemming from them, the most essential ones being the following:

In the first place. A fundamentally new feature and component in the improved economic mechanism is that with it the new economic approach is introduced in running the territorial units. This is directly involved both with strengthening the economic interest of the executive-administrative bodies of the people's councils in the efficient and harmonious socioeconomic development of the territorial unit as a whole as well as the introducing of legal and financial independence for the executive committees of the obshtina and okrug people's councils and the strengthening of their material responsibility for the end results of their activities. In this method the basis is created for introducing cost accounting and self-support in the territorial units. This is a fundamentally new aspect in all previous work in managing the social and economic processes on a territorial breakdown.

In the futu · each conurbation system must be supported by the profits from its enterprises and institutions and by the deductions which the enterprises and APK [agroindustrial complex] on its territory make. This means that the economic and social development of the conurbation system will depend upon the creativity and initiative of the local cadres in utilizing all the resources and reserves to realize additional income. Hence, the necessity arises of reorganizing the territorial budgets, certainly not just in form but also in content.

it is particularly important for the territorial bodies to recognize the new requirements and aspects in the improved economic mechanism in order to ensure the further development of the responding okrugs and obshtinas and to evermore fully satisfy the material, spiritual and social needs of the population. The realization of this development depends solely upon them and upon the effective work of the economic organizations on their territory. This requires both their active involvement in the drawing up of counterplans which significantly exceed the state quotas as well as the providing of direct aid and influence on carrying out the counterplans. It is no accident that the Regulation Governing the Economic Mechanism provides that the control figures and the state plan quotas of the economic and other organizations and divisions under central authority without fail be sent out to the obshtina people's council where these bodies are located.

All of this creates new conditions for unleashing greater initiative and creativity by the conurbation systems and okrugs to provide the needed funds for supporting their personnel and for financing local measures. For this purpose the expenditure portion of the budgets for the obshtina and okrug people's councils will be organized as a system of specific monetary funds which correspond to the funds of the state budget. The specific monetary funds will be formed from the income of the people's council budgets.

In accord with the economic approach, the obshtina and okrug people's councils can organize extensive integration on an economic basis with the enterprises located on their territory in order to carry out general measures in the area of every-day, municipal and health services for the population, in local industry and so forth. Thus, both the enterprises and the people's councils will participate in creating the technical, cultural and social infrastructure on the territory of the conurbation system as the task has been posed of satisfying the needs of the workers who live and work in the conurbation system.

In contrast to previous practices, the Regulation Governing the Economic Mechanism provides that the executive committees of the obshtina and okrug people's councils can use a bank loan for organizing production, economic and service activities, for landscaping and public amenities as well as for other measures. The correct use of this opportunity will contribute to the further development of the conurbation systems. Certainly, it is essential to bear in mind that according to the crediting principles, the loan must be repaid at a certain time and with the appropriate interest.

The territorial budget bodies must be turned into the defenders of the budget balance and into proponents of the principles of cost accounting and self-support. This means that if a territorial unit feels that it needs additional expenditures, then it must provide for additional income and its own income and not from the republic budget.

These conditions for forming the budgets of the people's councils also pose new requirements for the units at the ministry. In practice this means that they must understand the economy of each okrug and its possibilities in order to be able to make the necessary analysis and judge whether the okrug people's council has succeeded in mobilizing the economic and other organizations, divisions and production units, regardless of their affiliation, as well as disclosing and utilizing all resources from the standpoint of increasing the income of the people's councils.

only after making such an analysis is it possible to gain a correct idea of covering the lack of own income from the disposable income of the republic budget.

The Regulation Governing the Economic Mechanism explicitely states that the balances remaining at the year's end in the budgets of the ministries and people's councils are not to be confiscated. These are to remain as a resource for the following year, they can be accumulated and employed for carrying out major measures. This also is a new fundamental aspect in organizing the fulfillment of the budget and it is essential to understand its purpose well in order not to permit violations.

Finally. The financing of the national economy is one of the basic functions of the Ministry of Finances. This encompasses a broad range of interrelated questions by which conditions are provided for effecting a rise in the profitability of economic activities. In accord with the decisions of the 12th Party Congress and the new economic approach and mechanism for its application, substantial improvements must be carried out in these activities.

The BCP Central Committee and the government have posed the task of increasing the involvement of the functional ministries in the fulfillment and overfulfillment of the state plan. As is known, the state plan reflects the minimum aims in accord with the resources which the state possesses. Consequently, the collectives within the system of the Ministry of Finances must assist the economic organizations in drawing up counterplans which surpass the state plan quotas and in an amount which can be met by self-financing.

The ideas contained in the economic mechanism concerning the role and importance of the counterplan pose new demands in implementing the relationships between the Ministry of Finances and the economic organizations in drawing up the financial plans on a basis of the counterplans. In these instances the task is by concrete analysis to establish to what degree the proposed distribution of profit has been carried out in accord with the provisions of the economic mechanism and satisfies the overall financial proportions. When these requirements are not present, by economic levers it is essential to carry out a correct distribution and allocation of financial resources.

The most correct assessment of whether the individual economic organizations have reorganized their work in accord with the principles of the new economic approach and mechanism for its application can be provided in analyzing the plan and report schemes for the formation and distribution of income. The new aspects in the formation and distribution of income create major opportunities for the financial organizations to provide themselves with their own financial base as a source for the self-financing of expanded reproduction.

The realization of these opportunities is made directly dependent upon the effectiveness of economic activities and upon the amount of profit in the counterplan. The greater the profit according to the plan and the report the more funds which remain available to the economic organization and vice versa.

Aggregate profit is the sole quantitative indicator which is set for the economic organizations as a state planning quota. This becomes the basic criterion for assessing the entire activities of each economic organization and its collective.

Here it is essential to view profit as the result of the effective management of economic activity. Profit obtained from an incorrect increase in prices or from violating the state standards and norms will be confiscated to the budget.

In the regulating and distribution functions of the budget, a special place is held by the system of providing budget funds for the economic organizations. In these instances it is essential to make a distinction between the subsidies which the economic organizations will obtain for assistance in their current economic activities and the budget funds obtained as a result of the direct involvement of the state in the financing of capital investments to build new capacity in individual nationally important types of production and activities. For precisely this reason under the conditions of cost accounting and self-financing, the state will finance the creation of the material plant needed for the development of activities important for the national economy and for accelerating the introduction of crucial scientific and technical developments.

As an exception the state budget will provide subsidies for low-profit or loss-producing production. The Regulation Governing the Economic Mechanism has defined the conditions whereby the economic organizations will be granted subsidies for such types of production. The subsidies must be employed as a means for bringing about a rise in production profitability and the return on experts. First of all it is essential to proceed from the principle that the subsidies will be received as an exception since under the new conditions and requirements an economic organization which operates unprofitably cannot be tolerated. In this regard of particular importance are the programs which the economic organizations will work out to increase the efficiency of production, imports and exports and for annually lowering the subsidies up to the end of the five-year plan. A correct assessment of these programs and the results of their application depends upon whether through an analysis of economic activities the reasons for the production of low-profit or loss products will be disclosed and whether the eliminating of these factors has been achieved.

[illegible]. In 1982, it is essential to solve a number of questions related to the compiling of the summary financial plan and budget in accord with the provisions of the Regulation Governing the Economic Mechanism.

It must be pointed out that for the first time an enforceable enactment has outlined the scope of the summary financial plan and the procedure for its compiling.

The summary financial plan must be viewed as the basic document to ensure the financial coverage of the Unified Plan for the Socioeconomic Development of the Nation.

According to the Regulation Governing the Economic Mechanism, in addition to the annual state budget, the Ministry of Finances will also work out a five-year budget plan (budget program) for consolidated indicators for income and expenditures on a national level.

The state budget will consist of the types of income for the income part and the specific funds in the expenditure part.

In the annual budgets the income will be planned for on the basis of the unified, generalized and long-term norms which have been preset by the government. Expenditures will be established on the basis of the compulsory standards for individual

types of expenditures set by the Council of Ministers and on a national level determining the amount of budget outlays per unit of calculated indicator according to the plan. All of this poses new requirements for the entire financial system. Particular attention must be paid to setting scientifically based standards for the amount of financial assets needed to satisfy the requirements related to the investment policy of the party and state and to the development of sociocultural activities on all levels of management.

In the future, additional needs for budget funds will arise after the budget has been drawn up. The question is to organize the work in such a manner that the principles of cost accounting and self-financing are observed on all levels, including on the national. When additional expenditures are needed for economic activities, naturally additional income is obtained from the corresponding activities. For this reason, that which requires additional expenditures from budget funds must provide an increase in profit which will ensure the repayment of these funds to the budget. These are the requirements of the economic approach and the improved mechanism of its application.

Fourthly. Under the conditions of the new economic approach and mechanism for its application, both the owner and manager are interested in safeguarding and increasing socialist property. This requires the taking of the necessary concern, including to prevent encroachments against socialist property.

In light of these ideas new and major demands are made not only for the bodies of State Financial Control but also for all elements in the system of the Ministry of Finances. State Financial Control is the basic element in carrying out control activities. But in bearing in mind that the Ministry of Finances has been entrusted with the organizing and execution of preliminary, current and follow-up financial control over the planned, rhythmical and legally conforming implementation of financial activities in the economic and noneconomic bodies and organizations, the conclusion can be drawn that these requirements also apply to all other elements in the system of the Ministry of Finances.

This demands that the activities of all these elements be subordinate to the broad use and application of leva control. This must start even in the process of drawing up the plan from the view of preventing inefficient activities. Constant control must be provided in the receiving and utilizing of assets for various purposes as provided by the budget of the economic organizations.

Particular attention must be paid to organizing and executing preliminary and current control. The importance of this control at present when it is essential to take exceptional measures to disclose the reserves and protect socialist property, has assumed particular importance. Without underestimating the role of follow-up control, th effect from preliminary and current control is great since the question is to prevent violations in carrying out financial activities.

Follow-up control is carried out on the basis of the accounting reports and balances. However, up to now the quarterly reports and balances were employed more for information while an overall review was made only for the annual bookkeeping reports and balances. From the viewpoint of the new requirements, it is essential to fundamentally revise the procedure and methods for employing the quarterly reports and

balances. They must be analyzed systematically in the aim of comprehensively encompassing the questions of utilizing financial assets.

Fifthly. With the new wholesale prices which went into effect on 1 January 1982, conditions have been created in the economic organizations and enterprises to apply cost accounting and to change over to full self-financing. In individual instances where certain economic organizations do not provide self-financing, the appropriate measures are provided for in the Regulation Governing the Economic Mechanism. However, this does not mean that the wholesale prices will not be changed any more. With an open economy such as ours, in the future changes will be needed in the wholesale prices in order to bring them into conformity with the requirements of the economic laws for a developed socialist society, in considering the objective conditions under which the product has been produced and realized.

Previously, changes in wholesale prices have ordinarily occurred in the period during which the plan for the following year was drawn up and sometimes even after it was compiled.

The Regulation Governing the Economic Mechanism has established the procedure under which prices will be changed. The definite date of 30 April in the preplanning year is the date prior to which the Council of Ministers will approve price adjustments. Thus, an opportunity is created to make adjustments in the plan for the subsequent year, in bearing in mind the new prices.

It is essential to strengthen control over the observance of the procedure for setting prices in order that they can be more effectively employed as a means for reducing production expenditures, encouraging a rise in efficiency and product quality for rapidly introducing the achievements of the scientific and technical revolution, maintaining the purchasing power of the leva, strengthening cost accounting and increasing the nation's involvement in the international division of labor.

Much intense work remains to be done to raise the role of finances and the financial system up to a level of the requirements posed by the 12th Party Congress.

The collectives of the financial system have shown hitherto that they have invested all their forces and knowledge to carry out the tasks which the party and government have set for them. This total dedication to work will be continued in 1982 in order to fulfill the tasks which the historic 12th BCP Congress has set for further satisfying the material, spiritual and social needs of the people.

10272
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EFFECTS OF SET OF MEASURES ON SLOVAK INDUSTRY VIEWED

Prague HOSPODARSKE NOVINY in Slovak 11 Jun 82 p 3

[Article by Engr Jan Hrabek, Slovak deputy minister of industry: "Search for New Approaches"]

[Text] In recent weeks, the results of economic activity in 1981 have been evaluated at all organizations, enterprises and economic production units under the SSR Ministry of Industry, and in the ministry itself. The analyses of economic activity were the more significant because 1981 is the first year that the Set of Measures has been in effect. It can be termed as favorable that, in comparison with the past, the analyses have been characterized predominantly by a more comprehensive look at the achieved results, but combined with a critical evaluation that corresponds to the requirements and objectives of the Set of Measures, with emphasis on the quality of management.

From this point of view, desirable overfulfillment of the tasks in supplying the domestic market, and also of the tasks in export to socialist countries, may be regardes as a plus. But not all economic production units were able to achieve the plan's targets for export to nonsocialist countries, because they could not overcome the obstacles that stemmed from the overall changes in these markets, not even in the case of traditional export items, in which the enterprises were able to ensure the necessary assortment and quality of supply. Admittedly, shortfalls in the fulfillment of the tasks occurred also for production reasons where the parameters set by the plan were not attained. Even though the ministry's aggregate tasks of supply to final demand and productive use were fulfilled, in realization there were departures from the planned structure.

Successes, Difficulties in 1981

Although considerable effort was exerted during the year to maximally adapt production to the changed conditions on foreign markets and the domestic market as well, the changes that had to be made and the substitute solutions that became inevitable resulted not only in production dropouts, but also in considerable departures from the qualitative tasks. Especially the levels of productivity and profitability set by the plan were not achieved, the most conspicuously in the woodworking industry.

Evaluation of the events and results in 1981 yielded valuable information about the consequences of changing market demand, on the domestic market in particular, where demand has declined in several production sectors, and not only the demand for consumer goods. The reasons for this decline in demand are varied. They are related

first of all to the overall economic situation at home. At some enterprises the possibilities for the desirable marketing of the output, especially from so-called single-purpose capacities, have become the decisive criterion for securing the tasks of the plan. Where this development was not detected in due time, or where swift measures were not adopted to counter this development, there is real underutilization of capacity on the one hand, and unpreparedness to switch to other production for which there is an effective demand. Our 1982 experience to date fully confirms this. This is a question of production's increased adaptability to market conditions, while raising overall effectiveness.

In accordance with the Set of Measures, the consequences of failure to achieve the planned profitability and profit volume are very serious for the enterprises and economic production units. This is reflected not only in the conclusions adopted in the evaluation of these organizations' 1981 economic activity, but also in the considerable worsening of their general economic situation when the effects of the sanctions are fully felt.

But at the same time the fact cannot be overlooked that the ministry's export to socialist countries increased over 1980 by 16 percent at prices f.o.b. Czechoslovak border, and by nearly 32 percent in the woodworking industry; light industry's export to nonsocialist countries, at prices f.o.b. Czechoslovak border, increased by nearly 9 percent, and profit by 15 percent. Product quality, measured in terms of the proportion of markdown for goods of substandard quality, also improved by 5.5 percent over 1980. Good result in several respects were achieved also under the specific conditions of the individual economic production units, by fulfilling and exceeding very demanding tasks of the plan, and also in terms of the attained growth rates of final deliveries, profit earnings and other tasks. With the exception of the Slovakotex economic production unit, such results were achieved at the Ogako, Tatrasklo [Tatra Glass] and Slovenska Polygrafia [Slovak Printing] economic production units. Special mention must be made of the results in the chemical industry; this industry was able to overcome the very complex conditions that arose last year, and to contribute significantly toward the favorable development of export to nonsocialist countries.

The ministry fulfilled last year also its overall tasks in capital construction, on the obligatory tasks of the plan. However, the ministry was unsuccessful in achieving a radical solution--in comparison with the plan's tasks and in terms of a general evaluation as well--of the unfavorable situation that existed in placing certain capacities in operation and in attaining the set parameters. In this respect the greatest shortfalls occurred last year at the economic production units of the woodworking industry; these shortfalls are continuing into 1982 and are causing a very complex situation at some enterprises.

The results that most of the enterprises and economic production units achieved under the given complex conditions confirm that they have begun to take specific action to adapt their programs to the present and future market conditions. They are fulfilling their tasks while curtailing their import demands and improving the balance of trade with nonsocialist countries. They are meeting the criteria set for product quality and are improving the overall utilization of their operating assets.

The results to date, of course, should not be overestimated. For many of these results have been achieved by mobilizing readily available factors and reserves. It

cannot be said as yet that a radical change has occurred everywhere, especially not in the area of quality, without which we will not be able to control and master the conditions and tasks of the coming years.

This is a question of what is the program like, and what objectives have been set to ensure constant improvement of quality. And how have the individual problems been applied to the specific conditions of the economic production units and enterprises, and whether they are penetrating into everyday practice and into the top officials' thinking in particular.

Some of our economic production units are devoting close attention to these questions and are approaching their solution constructively. As an example of the perception of this problem I would like to cite the Slovakotex economic production unit, especially because it is securing such a demanding and sensitive area as the relationship to the domestic and foreign markets. Here the task has been set of ensuring the sustained growth of export, without shortchanging the domestic market and intensifying some of the problems in supplying its needs. In the course of this they are starting out from the realization that the increasing requirements with regard to quality can be met only through entirely uniform supply to all destinations of the output's use, while the requirements of the domestic market and of export with regard to quality are being equalized.

The task, then, is primarily to ensure at the Slovakotex economic production unit the specified economic use of the output while the growth rate of export to nonsocialist countries, for example, is 20 percentage points higher than the growth rate of the total output.

At the same time, solution of the tasks in the textile, clothing and knitwear industry involves not only the production of better-looking, fashionable and technically improved products, but also the offering of an assortment that meets the consumers' interests, in a sufficiently wide price range and range of sizes, the ensuring of on-schedule deliveries of the contracted quantities, a larger proportion of top-grade products, smaller production series, and more effective marketing.

The set tasks, then, are clear. In relation to the mentioned and other conditions, of course, the way and manner in which the tasks can be fulfilled must be clarified. This will require, first of all, modern methods of management in general and of managing the technological processes of production in particular, more flexible practical application of the results in the development of science and technology, utilization of the results of the socialist international division of labor, reliable functioning of cooperational relations within the economic production units, and overall improvement of technological discipline.

What Will 1982 Be Like?

The importance of analyzing the prerequisites for plan fulfillment in the coming years and the setting of the basic tasks already reflect the requirements and conditions of the tasks in the 1982 plan.

While the volume of industrial output within the SSR Ministry of Industry is to increase by 3 percent over 1981, final sales are to increase by nearly 5 percent.

Within this the output of the woodworking industry is to increase by nearly 14 percent; and its final sales, by roughly 22 percent. Hence it is evident that the entire increase in output is earmarked for the categories other than productive consumption and other uses, and that it requires maximum mobilization of the produced material resources for export primarily to nonsocialist countries, while deliveries to the domestic market are to increase at approximately the same rate as the output. Simultaneously it will be necessary to achieve the best possible prices on foreign markets.

Especially demanding in this respect is the growth rate of the woodworking industry's export to nonsocialist countries, due to the shortfall in plan fulfillment in 1981. This growth rate is based on a further increase in output at the newly built capacities, primarily in the pulp-and-paper, lumber and furniture industries. However, also light industry must increase its export to nonsocialist countries by about 22 percent. No less complex are the tasks of the chemical industry. While the output tasks are demanding, one must bear in mind also the very complex conditions of input and of import in particular, and not only from nonsocialist countries.

Customer-user relations in the widest sense will be a decisive question also in 1982. From them derive the other problems, and in some cases certain capacity aspects cannot be underestimated. Solution of such problems is often difficult because they require first of all an active approach, realistic proposals and preparedness to react to the arising situation. This is often lacking, especially where sufficient lead time is lacking to prepare the offer by which the arising new need is to be resolved.

Admittedly, exceptionally demanding tasks--in export to nonsocialist countries, for example--hardly permit in specific cases the assumption of further obligations, such as credits repayable in foreign exchange to urgently solve the replacement or modernization of machinery and equipment, on which fulfillment of the set tasks often directly depends. The tasks in question are not always related to export specifically to nonsocialist countries. However, such problems cannot be resolved without the mutual cooperation and active approach of all the participants who must adopt appropriate decisions in cases of this kind.

Effect of Set of Measures

During this period we have also gained experience as to how the conditions of the Set of Measures influence the results of our work. The experience with counterplanning in ensuring the tasks for 1982, and also the consequences of failure to ensure the tasks are being evaluated. Likewise the effectiveness of the principles embodied in the Set of Measure, and certain conclusions that as yet have not been tested sufficiently in practice. Some of them will have to be tested further.

Application of the Set of Measures has been reflected favorably in the reduction of the cost of materials, and of the energy-intensity of production. The results would have been even better but for the exceptional development of the woodworking industry. Likewise favorable is the fact that the adjusted value added within the ministry improved by 1.9 percentage points, despite a slight decline in output (by 0.8 percentage point in 1981 as compared with 1990 [as published]). The results in the level of profitability in relation to operating assets were influenced not only by the failure of some economic production units to attain their planned profits, but also by higher inventory positions than had been planned. This is a lesson that the economic production units and enterprises will have to absorb more seriously than up to now.

All economic production units within the ministry have reserves also in their nonproductive costs for improving their profitability and economic effectiveness.

So far as economic incentives are concerned, application of the Set of Measures and introduction of new criteria within the ministry, except at two economic production units, produced results that generally are favorable, but the 165 million korunas saved by the economic production units was not enough to offset the exceptional cost overruns in the woodworking industry's economic production unit.

The personal and enterprise incentive funds are fulfilling their mission, although there are some problems in the relations between enterprises within economic production units when the conditions and especially the results in the formation of resources differ. The enterprise that fails to fulfill its tasks (i.e., it does not qualify in the given period), and the tasks are important ones, jeopardizes fulfillment of the entire economic production unit's tasks. Situations arise in which enterprises that are fulfilling their tasks in an exemplary manner are being shortchanged. However, the opposite situations also arise.

Innovation and Export

The conditions for the highly necessary process of innovation are different in the production sectors that produce final products (light industry), and again different in the sectors that supply the national economy with often essential raw materials, semifinished products, and products with relatively constant physical or chemical properties (chemical industry and related sectors). Under these conditions the application of innovation processes, and of the advantages that stem from them (especially when these advantages can be realized fairly quickly) will basically differ and occasionally will be unrealistic in the short term.

Here product innovation usually is combined with the innovation of industry's technological base, and the innovation cycle is relatively long, lasting several years. Innovation must be prepared with sufficient lead time, which involves a certain risk regarding the development of machinery, technology and applications. Such innovations often worsen the economics of production, especially the profitability in relation to operating assets, if the innovations are not accompanied by a corresponding movement in the prices of the products. The improvement of productivity sometimes is not enough to offset the higher prices, especially in the case of imported equipment.

Experience with the application of the Set of Measures in 1981, including the preparation of the plan for 1982, confirms the previous experience of the experimenting economic production units and calls attention to the reserves that exist in perfecting the khozraschet system, including the setting of production norms, costing and budgeting, and in upgrading personal and collective economic incentives.

All enterprises and economic production units of the SSR Ministry of Industry will have to absorb these lessons and inevitable facts during 1982 and in planning for 1983 and thereafter. They will have to significantly accelerate all activities that are prerequisites for fulfilling the tasks and achieving, in certain respects, results that are substantially better than the ones up to now. The more-complex conditions and more-demanding tasks leave them no other alternative.

1014
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NEW, FARTHER REACHING ECONOMIC REFORM ADVOCATED

Budapest FIGYELO in Hungarian 16 Jun 82 p 3

[Article by Tamas Bauer: "Continuity or Turn?"]

[Text] Ference Havasi spoke on the search for a solution at the Annual Congress of Economists at Balatonfured. This was well indicated by the general theme of the meeting: economic thinking today is not motivated by inspiring new perspectives but by the need to dispel the economic tensions that endanger sociopolitical stability.

The increased empcasis of stability in Hungary may be related to the fact that in the search for a solution since the middle of the 1970's, the return to command planning, which Hungary already once rejected, did not appear to be an attractive solution.

Fortunately, the policy followed since 1979 of compulsory restraints on economic growth has been paired with a change of direction in the official concept of economic guidance. Let us recall: not so long ago, in the middle of the 1970's during the years of freezing the reform, the declared goal was the strengthening of ministerial guidance, the realization of supply responsibility, the adjustment of regulators to the "characteristic conditions," and so forth, and a broad-scale centralization wave developed and a campaign was conducted against the auxiliary operations of cooperatives and private undertakings. In the past 3 years, however, the passwords of enterprise independence and normativeness could be heard at conferences, and it was in this spirit that the 1980 price reform was announced, branch ministries were amalgamated, large enterprises were broken up, and the legal, organizational, financial and political frameworks of various forms of small enterprises were developed.

We can sense the importance of these measures if we think the matter through: leading economic policy makers were able to face up to the steps they themselves (or their predecessors) had taken between 1970 and 1978, and they took hold of such delicate problems which they refrained even from touching during the reform period of the late 1960's. With this they do not regard their tasks as concluded: further studies are underway, and in 1983 a change can be expected in the regulation of incomes recognized as a neuralgic point of the regulatory system, and in all probability the control forms over state enterprises will also be modified. These changes, as conceived, must fit into the complex, further development of economic management, the program which was outlined a year ago in FIGYELO by Miklos Pulai, deputy chairman of the Planning Office (FIGYELO, 17 July 1981).

And still, when we read through this article or the publications which have appeared since then, and we listen to the main summaries of the most recent Annual Congress of Economists, or the interpretations that followed by ministers and state secretaries, doubts may arise in our minds: What do the economic politicians want, what does the expression "complex further development" mean?

To understand these issues we have to reflect back to 1968.

What differentiated 1968 not only from the preceding and ensuing Hungarian planning simplifications, reorganizations, the further development of regulators, but also from most of the economic guidance measures of the other European CEMA countries? Since we cannot answer this question thoroughly here, I shall stress three motifs.

--The 1968 measures were comprehensive and complex in character; they changed the planning system, the enterprise interests, the relationships among the enterprises, the tasks of the guiding organs, the price system, and so forth at one time and in relation to one another. A change was made not only in certain elements of the economic mechanism (for example, the manner of planning or the price system) but also in the sharing of roles among the individual elements: for example, that which had formerly been regarded as a planning (plan detailing) problem became a question of regulation and inter-enterprise relations.

--The radicalism of the changes meant this: while the number of nonobligatory indexes was not reduced, the breaking down of the plan was eliminated; the price basis was not only modified but the official price system was replaced with a mixed price system, and so forth.

--The third motif that ought to be emphasized I regard as the nature of the perspective; in preparing the reform, long-term ideas were developed, and thus the 1968 measures fit into a long-term program with a definite direction.

It is true that the complexity of "1968" was limited (consider only the deemphasis on organizational questions) as was its radicalism or its preoccupation with the long-run. And still there were these signs that made it into a reform, a correction of the model in the wake of which it was possible to achieve a change in the behavior patterns of those with a role in economic life. The precondition of this was that those with a role in economic life--enterprise managers and state functionaries--expected the change, and the outcome was that they experienced its actual introduction.

The modi ication carried out in the regulator system since 1968 represented in a number of respects an advance over the solution introduced at the beginning. We can mention the termination of the obligatory splitting of profits in two, the narrowing of the scope of liability-free investment financing, and so forth. But these changes, like the periodical reorganizations, were only partial measures. They were not complex or radical and, particularly since 1972, did not fit into a clear perspective. And what is more, besides the measures that fit into the main line of reform there were also many changes embodying a direction of doubtful value or even recentralization.

Since 1978 there has been a change in that the direction of the partial measures that were introduced point one way. Many believe that this is enough to advance the reform process, to make the economic mechanism suitable to the service of the necessary efficiency improvement, the structural transformation, and so forth, under the new conditions. They do not understand more complex, further development than the coordinated sequence of modifications affecting certain areas of the mechanism, leaving essentially untouched, however, the distribution of roles among the elements of the guidance system.

We know that the new kind of role distribution which has developed since 1968 between economic planning, state administrative regulation by financial means and independent enterprise decision-making regulated by the market, and which, with some simplification, we are accustomed to call of the dismantling of regulators has created more favorable conditions for more effective management than the traditional (directive) plan management. It promoted the arousing and exploiting of initiative, and a more flexible adjustment to international and domestic markets. At the same time, as shown in a manifold way by the economic literature, it continues to hinder the realization of the achievement principle, a more organic adjustment to the international division of labor, a flexible, profit-oriented regrouping, and efficiency improvement attainable through the development of a more varied dimensional structure of production and services, an improvement of the effectiveness of investment activity, and so forth. As a consequence of the state manipulation of value categories, the functioning of money remained limited, and only in a very limited way does the general standard exist which may serve as the magnetic needle of management. This distribution of roles did not change in the 1970's nor in the wake of the measures in the past 3 years, and at the most, the simulation of the competitive price partly replaced the differentiation of regulators.

From everyday conversations and the discussions in LIFE AND LITERATURE it becomes evident that a knowledge of such shortcomings as difficult adjustment, slow technical development, many kinds of waste, general and related deep dissatisfaction have become a part of social consciousness. It has also become a part of social consciousness that the changes which have taken place thus far in economic guidance, including the 1968 reform itself, did not bring about any fundamental change in these problems. As a consequence, the broader public but also the specialists, the state officials and enterprise managers have more or less lost their faith in the efforts directed at refining economic management. While after 1968, the experience of change, which meanwhile has passed into oblivion, was determining, since then, the interpretation tied to the corrections that were carried out is that everything has remained the same as before despite the big propaganda around the modification of the regulations. We must, above all, solve this in order to see to the accomplishment of the desired changes in the operation of the economy and to finding some new track of growth.

Even on the basis of a narrow economic approach it can be perceived that for the new behavior patterns to develop free of the present conditioning of economic operations, a program that builds on the advantages afforded by a complex and radical approach and a focus on the long term is more advantageous. We know well that it is useless to try to realize normativeness in the regulator

system if conditions are lacking in the price system. Similarly, the "competitive price system" cannot become a competitive price system as long as the monopoly of the domestic market persists, and import competition is not developed. The opposite is also true: changes in the organizational system cannot be realized according to original intentions if only the institutions of hierarchical guidance are eliminated, because market regulation mechanisms will not by themselves develop in place of the hierarchical guidance.

Moreover, the complexity must not only mean that the organizational system, the planning, the price system and the financial regulations change simultaneously, but that new shifts must also occur in the distribution of their roles by narrowing the state administrative and economic guidance role (by narrowing not only its indirect but also its direct role) and by extending the entrepreneurial independence of the enterprises and the genuine regulating role of the market and actual competition.

In addition to the narrow economic considerations, however, this is also dictated by broadly interpreted socio-political viewpoints. The program of "just so it does not become worse" which our economic policy proclaimed 3 years ago under the slogan of "guarding" and with which even after 3 years it cannot face society, can be accepted and can establish the basis of guarding socio-political stability if and only if, it is linked with a clear program for a solution in some way like the proclamation of the new mechanism was linked to the 1965 "year of savings" program.

Therefore, from a socio-political point of view, the concept of "complex further development" appears necessary. It will make the broad public opinion aware and unambiguously clear to the enterprise managers and officials of the state apparatus that this program represents the continuation of the line of reform proclaimed in 1966. At the same time by moving consistently toward dismantling the bureaucratic bargain mechanisms and extending the sphere of influence of regulation by the market in order that state planning and regulation may target a new quality change, that is, a turn in the role distribution between enterprise initiative and market self-regulation as compared to the trends of the 1970's which may be characterized as a "reform freeze." Moreover, we must make the delimitation clear not only in comparison to the period up to 1978 but also to the contradictory developments of the past 3 years, when progressive slogans were run down by the widespread use of price measures and operative economic guidance ("market regulation," "economic organizing activity") which sometimes supplemented and sometimes replaced the dismantling of the regulators.

In his latest interview, Bela Csikos-Nagy (HETI VILAGGAZDASAG, 8 May 1982) mentions as a possibility that by the middle of the 1980's the need for a new comprehensive reform might arise. I regard this not as a possibility but as an unpostponable necessity.

The changes which have occurred in our economic mechanism since 1968 or in the past 3 years only established the basis for a slow, moderate improvement in the achievement of the economy. Paired with the moderation and the reasonableness

of our economic policy, this improvement was sufficient to the middle of the 1970's for economic growth to be relatively balanced and after 1978 to avoid at the price of stagnation in domestic consumption the development of tensions which occurred in other CEMA countries. But the foreign economic conditions continued to deteriorate: similar processes on the international credit market followed the rise in raw material and energy prices and the narrowing of supply.

Under the new conditions which have developed in this way we need to increase much more rapidly than up to now the achievements of the economy not only for growth but also for stagnation, or implementing the slogan "just so it does not become worse."

Therefore, the need to decide on and proclaim a new comprehensive reform, a "second reform" is already ripe both from a narrowly economic and from a socio-political point of view. We can no longer delay putting off the elimination of the mood that nothing really changes anyway. It is time to create an atmosphere in which the state officials and the enterprise managers will count on change (and if they wish, refrain from change).

The preparation and introduction of organizational and regulation measures cannot happen within several weeks or months. A comprehensive change of the organizational and financial system building one element on another can come about at the earliest in 1984, which is already "the middle of the 1980's." It is important, however, that in the background of preparatory work and of the measures planned for 1983 there should exist a publicly announced concept for changing the whole of the economic mechanism. Besides complexity and radicalism, the long-term character may in this way again become a characteristic feature of "complex further development."

6691
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FALUVEGI DISCUSSES ECONOMIC SITUATION, VALUE OF PLANNING

Budapest HETI VILAGGAZDASAG in Hungarian No 21, 22 May 82 pp 4-6

[Interview with deputy prime minister Lajos Faluvegi, chairman of the National Planning Office (OT): "Planning and its Value"]

[Text] Deputy prime minister Lajos Faluvegi recently expressed his views in a radio program on several questions that are actively occupying public opinion. Among the questions were: What is Hungary's economic situation today? Should the plan perhaps be reevaluated in some way? Are the evaluations justified according to which there is not enough money for the necessary developments? Why is it necessary to constantly keep changing the rules of economic operation? We asked the chairman of the National Planning Office to return to these exciting questions, and, in connection with them, to the topic: What characterizes planning today, and what is its value?

[Question] Soon it will have been 4 years that among the goals of the economic policy the reestablishment and subsequently the improvement of the foreign trade balance have enjoyed priority, and we subordinated economic growth to this task. But we did not expect the national income to decrease in 1980, and even in 1981 to increase only at a more modest rate than planned. Did we overestimate our opportunities?

[Answer] How much of them we implement, is only one measure of the qualification and value of plans. The truth is that good plans can also be implemented poorly, and it is also true that the plans are not perfect, either. We therefore are now turning our attention to redefine also the value of planning to correspond to today's circumstances. The main value of the plans and of planning depends on--as they used to say: on the here and now--and on how well they are able to prepare our society and the economic operating organizations to actively and flexibly conform to the rapidly changing conditions.

We tried to put together the 1982 plan in this spirit. This means that we wanted to reinforce the main line of the economic policy, and we wanted to adjust those action programs and those changes of the regulations to this which make it possible for us to more flexibly conform to the larger requirements. It is a widely known fact that the two most important goals of directing society

and the economy in 1980 and in 1981 were: the foreign trade balance must be solidified, and the standard of living must be maintained, as were defined at the time by the MSZMP's [Hungarian Socialist Workers' Party] 12th congress. We succeeded in reaching these two main goals. It is true that the rate of economic growth was somewhat slower than had been envisioned. This did not surprise us, since even if not so much so in 1980, but in 1981 we already expected the rate to slow down.

There are external and internal reasons for this. Very often we forget that last year we harvested 1 million fewer tons grain than we had planned. The 1 million tons of grain would have increased the national income by one-half a percentage point, that is, had we harvested this lost grain, we would have just about reached the planned national income. This would have been important because the world market situation developed unfavorably for us. We were unable to exploit our metallurgical and chemical industrial production capacities, and it was also much more difficult for us to obtain the energy needed for the economy. I must add that--unfortunately--the political conflicts and warring conflicts in the world also all affected the opportunities of the Hungarian economy, since we are trading with over 100 countries in the world, that is, with practically all parts of it. But we must honestly confess that our own efforts aimed at improving the efficiency of economic operation have produced only initial results.

[Question] Should the plan perhaps be adjusted in some way or reevaluated because of these unpleasant experiences?

[Answer] In my opinion, there is no need today to correct the Sixth Five-Year Plan. The 1982 plan--just as the 1981 plan did--expected the conditions to change. The basic characteristics of this year's annual plan, that is, solidifying the foreign trade balance and maintaining the standard of living, continue to remain valid. At the same time, this plan projects a somewhat faster growth than last year's plan from the viewpoints of industrial and agricultural production as well as of the national income. Thus, for this year, the plan was prepared with the expectation of slow growth; and its planned growth rate is near the average rate determined by the Sixth Five-Year Plan. Of course, average years exist only in statistics; but, if we think over the general progress of the Sixth Five-Year Plan, we can say: considering its character and goals, the 1982 plan is closer to the character and developmental directions of the 5-year plan than the 1981 plan had been.

Even though we are not considering correcting or adjusting the Sixth Five-Year Plan, we are, by all means, considering two things. One of them is: we will prepare next year's plan by considering not only the economic tasks of the year 1983, but by looking ahead to the end of the plan period. The other one: we will prepare ourselves for the expected changes, because unfortunately these cannot be ignored in today's world. Of course, we are hoping that there will be not only unfavorable ones among them.

[Question] Because of the unfavorable phenomena seen in the world economy and in the countries around us, many people consider Hungary's economic situation to be disturbing. But we also meet views belittling our problems. In your opinion, how is Hungary's economic situation today?

[Answer] Obviously, there is a "middle road" between these extreme evaluations, because the extremes are not realistic in this country and do not produce much progress. Between heaven and hell, there is also a purgatory where, though one must pay penance, there is also hope. In any case, providing a summary judgment on a country's economic situation is no easy thing. Let me use a method often used nowdays to help me. Economists try to characterize the economic situation of a country by a pentagon, the sides of which illustrate the amount of debts, the relative use of the budget deficit, the extent of inflation, the rate of unemployment, and the growth rate of production, respectively. Increasing the distance from the pentagon's center indicates improvement of the situation, for example, decreases in debts, budget deficit, inflation or unemployment, or an increase in production rate. Thus, the larger the pentagon, the more favorable the economic situation it reflects, or the smaller it is, the less favorable.

Well, comparing our "pentagon-situation" with those of other countries, we have nothing to be embarrassed about, especially since we have full employment, and we are successful in battling inflation. To simplify it: the stability and balance of the Hungarian economy have improved in the last few years, its growth ability is average, while the foreign economic circumstances have deteriorated.

But where do we stand with output? The truth is that even under today's conditions we could achieve much greater output in industry, in agriculture, in the basic supplies, in services, and in other areas. It is public knowledge that labor productivity in the Hungarian industry falls short of the productivities of Austria or Czechoslovakia. Today there are no reasons for this like there were 10 or 15 years ago. Even though it is constantly being criticized in the Hungarian industry that there are not enough investment means, actually in the last 3 years the equipment inventory increased by 20 percent, but production increased by only 6 to 8 percent. And if we look at the percentage of the machinery operating during the scheduled working time, we find that it is only two-thirds. It is also well known that much manpower can be freed in industrial production because of weaknesses in organization and in wage regulation.

As far as the agriculture is concerned, we have always acknowledged that it has achieved great production results. But it is also seen in the mirror of international data that in several other countries the same results are achieved with a much lower employment ratio. Or, while we have made good progress in terms of total production, the net production value per agricultural wage earner is, at best, charitably calculated, one-half or two-thirds of those in Western Europe. And another interesting comparison: in the joint output of agriculture and the food industry, in this country the food industry contributes a much lower ratio to the production of new values than in France. That is, the degree of processing is much higher there, they produce more value.

It is well known how far we are behind also in the areas of services, communication, and the development of transportation networks. This backwardness causes loss of time and difficulties in economic work and in social relationships and is, in general, the source of greater losses. We will use the lessons learned from these with much greater force in the planning work of the coming years.

[Question] There are people who interpret the goals of the Sixth Five-Year Plan to mean that by the end of the plan period we will have repaid all the loans we took out in the past. Can we really start the next 5-year plan with a completely clean slate?

[Answer] In accordance with the goals of the Sixth Five-Year Plan, our debt inventory--in terms of real value--will not increase, and its composition will change to our advantage: the ratio of longer range obligations will be higher. In a word, the debt service, that is, the interest load and the repayment burden will be smaller in the years following the Sixth Five-Year Plan, and more means will be available. In addition to this, the plan has made it a goal to improve the export coverage of our debt service, that is, to strengthen the Hungarian economy's ability to systematically fulfill its debt service obligations, or in plain Hungarian [English] to be able to pay for it with profitable exports. We can all see how timely it is now to expand the quantity of exports and improve its profitability in the interest of increasing our convertible foreign currency income.

Thus, the issue is not whether we will have repaid all of our debts but, rather, that we will have created a more consolidated situation in which the burdens of the following years will be lower. By the way, a country which completely avoids taking advantage of foreign resources for the growth of its economy cannot really succeed in today's world since it does not use all the available opportunities for its growth. Of course, one must proceed very carefully in credit policy, and everywhere we make investments--especially if we do so all or in part with foreign money--must demand a high degree of organization and also that the appropriate market background be there, too. If all these things are so, then we even have the means to take out additional loans in a well-thought-out manner. For example, it is common knowledge that we would like to build an aluminum smelter and, also, that we need to make large investments in order to mine and process other valuable raw materials, but we cannot make these in the next few years from our own resources.

[Question] In recent years we have been improving our balance situation primarily by reducing domestic consumption. Quite a few people--mainly the managers of industrial enterprises--feel that even as things are now there is not enough money for the necessary developments. The rate of accumulation has not been this low for 25 years. Are these criticisms justified?

[Answer] In my opinion these criticisms--or, rather, attention drawers--are in part justified. So much so that--if my memory serves me right--the very first criticism was heard in the very speech introducing the 5-year plan to the national assembly. We also said it there that we are not particularly satisfied with the investment means that can be spent on the processing industry. Well, all these things developed in this manner because after 1978 we were forced to seriously limit the domestic consumption. Many people forget nowadays--and the critics are very quiet about it--what kind of a situation developed in 1977-1978. In these 2 years, the investment rate and inventories ran extremely high, since above-the-plan increase of investments and inventories were between 40 and 50 billion forints. This is how much we tied up on 2 years over the plan! And I will note here that even the original plan expected that loans will be taken

out, that is, that there would be excess distribution. We could not leave this the way it was. The other reason is that the rapid price increase of raw materials had to be covered by something. In order to do so, the national income had to be regrouped. But there is also a third reason, which is also often forgotten. And this is that we had to implement regroupings in the investment structure for the benefit of the energy sector, produce more domestic energy, and begin--with great financial cost--a comprehensive energy savings program. And, in addition to all these, in comparison with previous times we are earmarking much more investments for education and health care, mainly for the construction of elementary schools and hospitals.

So, these three reasons are what in the final analysis created a situation where we were not fully able to satisfy the investment readiness and intentions of the processing industry. Naturally, this cannot be a long-range goal. Nevertheless, we have started up a number of development programs in the meanwhile. Let's just think about microelectronics, the pharmaceutical industry, the aluminum industry, and so on. Last year we raised the limit of the loans which serve the production of convertible merchandise bases, and we will try to do so again this year. Or, rather, let's say it this way: those processing industrial enterprises will be given investment means which are among the leaders in the competition and in the contests for investment means. Let me also note here that the rate of investments at the enterprises exceeded the plan both in 1981 and in 1982, and the investment resources of the enterprises are greater than we had originally thought in the plan.

[Question] What is the explanation and the reason for the special cycles that develop between the government and the enterprises: at one time the government takes a severe step, takes away subsidies, decreases the number of individual considerations and exceptions, then it is forced to make some concessions, and not much later it must again repeat its previous steps--even more relentlessly?

[Answer] The method of establishing the regulators, and the social circumstances are different today than they were in 1968. Today, the regulators and the plans are developed in a process of several steps, and not only the representatives of the state organs and ministries are seated in the National Planning Committee either, like at the time, but the secretary of SZOT [National Council of Trade Unions], and the presidents of the Hungarian Chamber of Commerce, the SZOVOSZ [National Federation of Cooperatives], the TOT [National Council of Producer Cooperatives], and the OKISZ [National Federation of Artisan Cooperatives] or their representatives also are seated in it. The national economic management does not just simply make authoritative decisions and pass down instructions, but prepares its decisions in such a way that they at the same time also satisfy the process of coordinating interests. It can be said that today the determination of the basic regulators and the extent of these is far from being simply a central legal act, much rather it is a socio-economic relationship which manifests itself in the planning process of the national economy and of the enterprises. Therefore, a decision can never be favorable only to the state or only to the circle of enterprises, rather it is a system of steps acceptable to the entire economic operating public opinion. This is one of the reasons why oscillations may be seen from time to time. The other one is that through the regulators we must react much more quickly than before

to shifts in the domestic centers of gravity of the economic policy, but also to the external effects. This was not so earlier. I think there is complete agreement on the need to strive for relative equilibrium here. The enterprises would prefer more of a standstill, and more modest equilibrium, but the economic policy cannot support this. It would be good if those who demand a perfect equilibrium, that is, an absence of change over the long range, would think it over once that, if we made no changes in the economic regulations for 5 years, what great changes we would have to make 5 years later in measurements and in other things. These would be so large that the enterprises would break under them!

Yet, why are we not as close in the regulations to the ideal situation as we would like to be? First of all because the foreign market effects during the year are much stronger than before. Because of this several of our industrial branches--for example, metallurgy--have gotten into situations that, if we did not change the regulations, there there, for example, in our metallurgical enterprises there would be no work now. Could we have allowed this to happen to us? I think now! Thus, we had to compromise somewhat here for social reasons. There is no doubt that between 1979 and 1981 much more determined modifications had to be implemented in the regulators to conform to the plan than in the previous years. Well, working out these changes and the coordination in connection with them is quite a lengthy process. It is similar to the trick in which someone is balancing on a rope way up high with a long pole, using it to counterbalance the oscillations of his body. If we note it carefully, we can see that this pole is always moving, and we used to say that the trick is best when this movement--the regulating movement of the pole--does not show very large oscillations. Of course, it will always oscillate some, because this is part of the process of balancing and progress.

[Question] Unquestionably, tightrope walking is one of the most spectacular attractions.

[Answer] I was not talking about tightrope walking but about balancing "on the tightrope".

[Question] A fact is that, in recent years, there has been very lively and spectacular work going on by the government. The new price system, the competitive price system, has been created, trusts and major enterprises were broken up, and smaller units were created. The Ministry of Industry has been created from three ministries, the National Wage and Labor Office was born, many industrial enterprises were given export rights, and the package plan encouraging the small enterprises was published. All this reflects that the government has simultaneously daily economic problems, since managing the current matters also requires great efforts; and, at the same time, it must also shape the long-range strategies. Simultaneously with all this, creation of a more rational economic mechanism, or simply put, the further development of the reform process that began in the mid-1960s is also in progress. But the question occurs: Can all this be imagined at the same time? Does not this represent an unsolvable task?

[Answer] When the government worked out the economic policy of the Sixth Five-Year Plan, it obligated itself not only to the plan's goals but also to such

action and behavior which is indispensible if we are to implement these plan goals. There are three such issues. One: We have obligated ourselves to react much more sensitively to the changes in world economy, and I emphasize: not only in our economic relations with developing and developed countries, but also in the CEMA relationships. The other one is that in the interest of the economic policy goals we will be constantly improving and refining planning, the mechanism, and economy's institution system. The third one: We have obligated ourselves to organize economic and social programs to go along with the plans. An energy saving program, central technological development programs, programs to improve education and health care, and housing construction. We have selected these social programs from the general system of interrelationships in order to mobilize the entire country through them, to move every stratum and every economic operating unit. This is the reason for this great activity! And we cannot do without it in this stage!

There is no doubt that at times this multidirectional activity, this multidirectional obligation contradicts one another: we feel at times quite strongly that more time is needed to prepare society in some of the questions, but the circumstances are mercilessly pressing us. In the interest of progress, we have to accept that certain contradictions in the measures will also surface, "stray currents" develop which must be neutralized, contradictory phenomena which in the final analysis cannot be built into the socialist economic operating system, but which will naturally appear during the course of searching for the new. Of course, our intent is far from reinforcing these, but rather to aid creativity, the creative forces through them, at the same time working on cutting down these wild shoots. In some ways we are with this the same way as the one-time peasant who is waiting, and waiting for the early summer rain because it is very good for the grain fields, even though he knows that he will have to spray his household plot vineyard two more times.

We must expect strong activity by the government again this year. We are working out a government program for modernizing the manufacturing technologies while affecting the broadest material savings. We are preparing to modernize the wage regulatory and interest system--the enterprises and cooperatives have been urging us very much to do this soon. We are working out and improving the institutions of internal directing of the enterprises. We are taking on new tasks in housing management, and we are creating new measures in population policy. In a word, we have enough to prepare for, and there is plenty to do. Such is life, and the important thing is to succeed in the final analysis to renew the overall effects of our economic policy, of the Hungarian economy; to be able to keep up with the world and with progress.

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GRAIN TRUST CHIEF DISCUSSES GRAIN PROGRAM

Budapest NEPSZAVA in Hungarian 15 Jun 82 p 5

[Interview with Lajos Lenart, managing director of the Grain Trust by Vera Lendvai, no date or place given]

[Text] In few cases can we pinpoint so accurately the usefulness of exchanges of information and study tours as in wheat production. In 1954, a professional delegation visited the Soviet Union; and, on the basis of its experiences there, it called the attention of the agrarian authorities to the Bezostaya, a Krasnodar improved, high-yield wheat type. Two years after this, there was a severe drought in Hungary. The extension of the new wheat type proceeded rapidly. The domestic plant breeders, particularly at Martonvasar and then at Szeged, were stimulated to provide new types. Within a decade and a half, the yield of wheat production in Hungary doubled. In fact, by the 1970s, agriculture exceeded a yield of 4 tons per hectare. In recent years, there have been a goodly number of farms that have achieved even an average of 6 to 7 tons per hectare. The goal, according to the experts, is a yield of 10 tons per hectare, but to do this we must eliminate the great differences within the country.

In good production years, Hungary's total grain production exceeds 13 million tons. The Sixth Five-Year Plan sets a greater task as our goal. Since more than 40 percent of the grain production goes into the grain industry for further processing, we spoke of these tasks with Dr Lajos Lenart, managing director of the Grain Trust.

[Question] What does it signify that in recent years our wheat production yields occupy third or fourth place in international top rankings and corn yields second or third place?

[Answer] Above all, it gives recognition to the fact that, no matter how extreme are the natural and weather conditions in our country, the most important subbranch of crop production is grain. It bears witness to the strength of the large socialist farms, for these produce most of the bread grains and corn in our country; and they devote 60 to 62 percent of their arable land to these crops. During the past two 5-year plans, we also achieved great results in per capita grain production. In the Second Five-Year Plan period, per capita produced grain amounted to only about 8 quintals while, in the Fifth Five-Year Plan, it came to 12 quintals. These indexes are regarded and recognized

internationally too as important. Agriculture, therefore, has the technical, chemical, and biological conditions for grain production. Well-trained specialists play a particularly important role in Hungary.

It Has Become an Industry

[Question] Production, processing, and profitable marketing are of identical importance. What is the state of preparedness in the Hungarian grain industry like?

[Answer] I think I would narrow it down too much if I were to say that our production is continuously processed by 142 mills and plants. This is, to be sure, not of minor importance to the work, but it is only a small part of the entire activity in the grain industry. There are about 1,000 places in the country where some kind of grain industry site, plant or storage place is operating. Feed grains are sold in 5,700 AFESZ [General Consumer and Marketing Cooperatives] stores and in our own fodder shops.

[Question] One can also hear about the grain program that, together with the development or production, the subbranch has become truly an industry. Is this true?

[Answer] The 1970s brought great changes in our area also. The biological revolution and the great technical preparedness which has come about in production had a compelling effect, essentially in the good sense of the word, on our industry. It is the goal of our specialists and all our workers to keep pace with developments. Grain is processed in modern industrial form. Our goal is to return the products into agriculture in valuable form in order that they may be effectively marketed. But we also have tasks beyond this.

[Question] What do you mean by this?

[Answer] After processing the grain we supply the bakeries, the confectioneries, the shops, and the whole population with flour and other grain industry products. In recent years, we have also come out with new finely ground products for modern nourishment purposes. In addition to protecting state reserves of wheat and corn, it is also our task to produce fodders. About 40 percent of the country's fodder needs come from the processing plants of the industry. Through the above-mentioned 5,700 stores, we satisfy the needs of the household farms for various kinds of fodders and premixes.

[Question] Accordingly, the grain program intersects with the meat program?

[Answer] Exactly. Only after we attend to these two tasks can the matter of export arise. The interests of the country require profitable export. But we do business with foreign partners only after the above-mentioned needs are assured of fulfillment. Our role in producing bread and meat, therefore, is of equal importance.

[Question] Supply thus takes precedence over everything?

[Answer] Yes, uniformly.

Mutual Good Effect

[Question] I understand that various production systems have their own fodder processing plants. Doesn't this represent troublesome competition?

[Answer] Not at all. Rather, it has a mutually stimulating effect on us to come up with always new solutions and the production of more effective mixed fodders. We have 107 fodder stores from where the enterprises supply the customers according to the needs of a given megye, a farm, or a production system. We see to it with many-sided agreements and deliveries that there are no gaps in feeder grain supply either at large or household farms. Livestock requires this everywhere.

[Question] Why is it necessary to deliver fodder from one megye into another?

[Answer] There are megyes in which, like elsewhere, animal density is high but the natural environment and relief features do not make intensive fodder production possible. Megyes active in fodder production must assure an even feed grain supply for meat production in these places as well.

World Congress

[Question] The Seventh World Grain Congress will be held in Prague in the near future. As I understand, the Hungarians are also preparing for this meeting.

[Answer] The Congress is dealing with grains from the viewpoint of the world food supply, for grains are regarded everywhere as strategic crops. Beginning with cultivation and the biological bases, the Congress will deal with processing all the way to baking industry procedures. Since Hungary is one of those countries which produces grain on an area more than 1 million hectares and achieves the very highest yields, it is understandable that the experts should be interested in our results and methods.

[Question] In what do you see the road to development and further progress?

[Answer] I assume that biological factors will be at the center of interest at the Congress. The world grain producers see great reserves in types, in the production of new hybrids. We too must research this. The profession expects not only more from the new types but also that they will have greater value. All this, however, presents a lesson also to the processing industry for the continuous modernization of technology and for increased profitability.

We are preparing to show how we process grain and with what kind of effectiveness it is marketed. In the framework of the Congress, there will be an exhibit where the participants may come to know the harmony in Hungarian grain production, processing and marketing. The meeting is very important to us also. Many tasks face us. Research in "how do we move forward" is the driving motor of grain production and processing as a whole.

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POLL ON PROBLEMS IN ENTERPRISES PUBLISHED

Warsaw ZARZADZANIE in Polish No 6, Jun 81 pp 8-11

[Article by Krzysztof Chmielewski: "From the Vantage Point of the Director"]

[Text] Presented here are the results of polls taken by the Institute of the Organization of Management and Development of Cadres, taken during the period from 4 September to 4 November 1980 at seminars which included 205 directors of economic organizations. The main task of the seminars was to learn the views of the directors regarding present problems of enterprises and directions and methods of solving them.* Some of the views have only historical value at this point. However, a great many of them concern significant problems which are still under discussion and which have not been solved. Therefore, their publication is justified, especially since the author of the paper presents the views of the directors-participants of the seminars, expressed at the time, as faithfully as possible.

Main Directions of Action

Supplying the Market

1. Marketable agricultural product yield may be increased through activation of private agriculture.

2. Improvement in supplying the market will bring development of crafts, small scale industry, and reactivated government field industry.

*A synthesis of the directors' views on the most significant problems of enterprises and economy can be found in ZARZADZANIE No 2, 1981. This article and the present article constitute an integral whole.

Groups conducting the polls included: Docent Dr Hab H. Sadownik; Docent Dr Hab B. Wawrzyniak; W. Jedrzejczak, Dr Eng; Dr A Grabowski; W. Bilinski, M.S.; K Chmielewski, Dr Eng; Dr E Karpowicz; Dr J Szaban; Dr M Dabrowski; M Sienska, M.S.; T Gruszecki, M. S.

3. Development of big industry market production (production in key plants) may be intensified through reorganization and streamlining of interplant co-production.

Improvement of National Economy

1. The main condition for improvement of the economic system is balancing tasks and means at all levels and in all areas.

2. Balancing of operations in the entire economy has to be based on a uniform financial standard. A zloty has to have the same value in investing, import, export, etc.

3. Planning should be done at the rank and file level and it should be based on adequately researched needs, honest accounting, and realistic co-production agreements.

4. Enterprises must, in fact, become basic economic units.

--gross standards should be abolished and enterprises should be evaluated according to net standards;

--planning "to make statistics look good" should end;

--a system of carrying out agreements on branch and plant co-production has to be created;

--enterprises should have rights not only in the area of sales but also in marketing of manufactured goods;

--enterprises should be guaranteed free access to bank loans for necessary development--allotments should be done away with, credits should be awarded, and development funds should be created based on the percentage of the gains;

--the role of associations should be examined--they should be either abolished or transformed into economic units;

--autonomy of enterprises should be guaranteed legally by new statutes.

5. Changes in the wage system in the economy must lead to closer ties between the funds for wages and operational effectiveness of enterprises.

Respect for authority at all levels of management will increase when:

--resolutions adopted at plena of the Central Committee of the Polish United Workers' Party (PZPR) are carried out actively and consistently;

--introduction of the reform takes place immediately (here a suggestion to do it also through decrees, since decisions should not be postponed);

--some unrealistic laws, such as those concerning quality, environmental protection, safety, and work hygiene are abrogated.

Procedure for preparing the plan for the year 1981 has to be changed due to present social and economic conditions in the country.

1. Economic plan for 1981 should be a forecast of probable outcomes, not a directive.

2. Quarterly plans must be flexible and operationally adjusted depending on changes in conditions and capability.

3. Yearly plans and quarterly plans should be prepared at the rank and file level, based on the amount of orders from customers. The sum of enterprises' plans will represent the proposed plan of the given branch, and the sum of the proposed plans of all branches--the proposed plan of the ministry, to be submitted to the Planning Commission. The enterprises' plans should include information concerning:

--productivity,

--hiring capacity,

--sale of the product segmented into sales within the country and export,

--index of prime cost of production,

--demand for raw materials and other materials,

--operations in the socioeconomic sphere of the workforce.

4. Determining tasks in the plan through agreements on necessary corrections of proposals is the domain of supervisory units and flows in the opposite direction.

5. Final verfication of the planning decisions should be conducted by self-governing organs of enterprises through substantial examination of the premises, corrections, and final planning decisions.

Issues concerning wages--principles for creation of a new system of wages in the economy;

1. Adoption of a parametrical method of calculating funds for wages, e.g., as a percentage of net gains.

2. Collective agreements in an enterprise should be concluded between the director and the workforce on the basis of general standard for the given branch.

3. The level of wages in enterprises of the same branch may vary according to scales based on results achieved by outstanding enterprises.

4. Rate scales should be greatly simplified. They should depend on the basic rate for "leading" professions and the percentage of the wages of the "leading" profession should constitute the wages for the "dependent" professions (e.g., spinner and spinner's helper).

5. In special cases, wage allowances should be alloted to those enterprise situations which differ from conditions considered as normal in a given branch. Thus, such wage allowances should be permitted as refunds for hardships, hazardousness, allowances for overtime, etc. The range of wage allowances should be expanded to include allowances for seniority for employees with 20 to 25 years of service.

6. Refunds for soap, towels, clothing, business trips, business meals, etc., should be eliminated.

7. The objective of all the above suggestions should be the increase in basic wages with significant limits on the excessively developed system of awards and wage allotments.

Effectiveness and complexity of investments:

1. The objective of the fulfillment of precisely formulated needs should become the basis for the decisionmaking process in the area of investments.

2. Decisions concerning investments should be to a greater degree dependent on the principle of environmental protection.

3. Honest balancing of materials and employment of proposed investments is needed.

4. Decisionmakers at all levels have to be aware of "false" savings caused by cutting on investments.

Self-government of employees in enterprises:

1. Participation of the plant council in co-management of enterprises will awaken initiative and active participation of the workforce not only in the sphere of benefits which they would acquire but also in the sphere of production.

2. The self-government of employees will result in the integration of all social force of the enterprise.

The economic system which utilizes all human resources has to insure:

1. Relieving enterprises of tasks which do not pertain to their statutory activities.

2. Further limitation of the numb[illegible]te-collar employees, not only in the indu try.

3. Liquidation of at least significant limitation of wage migration.

4. Abolition of limits on earnings for annuitants and pensioners.

5. Creation of conditions for wider utilization of part-time work of high school and college youth in the economy.

6. Abolition of limits on overtime and adoption of the principle of effective "use" of human energy and voluntary access of employees instead.

7. Greater independence of directors in the area of managing the funds for wages of the enterprises.

Short-range Program of Action

A. The condition of regaining confidence of the people in the authorities is immediate action to normalize the social situation in the areas where conflicts are manifested, i.e., in the plants. All actions of the authorities have to have the objective of, first of all, calming the atmosphere and then creating motivation for work without disturbances.

It is necessary to achieve full and unequivocal settlement of the position of trade unions. New unions should have specified areas of autonomous and self-governing functioning in the framework defined by the changed statute on trade unions.

Normalization of the situation of trade unions entails a necessity of immediate undertaking of work on the essence and form of employee self-government. Determination of the issues concerning self-government of the workforce is necessary in order to put the structure of the organs of power in the enterprise in order. Without it changes in management, planning, and production are impossible.

At the same time, work on the statute of the enterprise and status of the director should be quickened. The leading idea of the enterprise statute, which unites it with the statues on trade unions and employee self-government, should be a far-reaching autonomy and self-government of the enterprise, its organs and workforce, with special emphasis placed on the role of workers.

It is necessary to activate party organizations at all levels. To accomplish this, immediate initiation of the reporting-voting campaign is needed, starting with the Primary Party Organization (POP), according to changed electoral law.

Cases of excessive income of some citizens, which irritate public opinion, call for vigorous investigation, when acquired illegally. In cases of so-called "chimneys [kominy] it is necessary to apply an appropriate fiscal system.

Changes in the staff of the power apparatus should reflect a tendency to develop an appropriate moral and professional image for the ruling cadres of the state, administration, and economy. New managers should show more good sense, courage, and competence in making difficult decisions.

B. All plans should be verified and made realistic according to real, honest balance of all the factors, and especially:

--materials, raw materials, spare parts;

--energy and fuel;

--transportation;

--employment (of the resources of human energy).

Making an inventory of means and resources of production should become a basis for planning. It is also necessary to verify the social demand for particular lines of products.

Enterprises should determine their own quantities and lines of production based on realistically perceived demand and coordinated with the workforce. Such plans should be based on:

--utilization of their own supplies;

--reliable sources of supply.

The planning horizon has to be the result of such factors. Therefore, it is necessary to adopt the procedure for creating the plan "step by step", e.g., from one quarter to the next.

It is necessary to carry out many-sided analysis of proposed and accomplished investments; investment decisions have to be a result of cost-effectiveness and consideration of the views of the investor concerning the appropriateness of verified investments and the possibilities of quick completion of constructions of particular importance to the economy.

The lack of spare parts can be counteracted through development of a nationwide supply system of parts produced in the country and of imported parts. Furthermore, authentic economic stimulae should be created for manufacturers of parts for key and local industry.

The Planning Commission of the Council of Ministers should make specific decisions concerning limiting of production of raw materials and energy-intensive production which does not fulfill priority needs in 1981.

Management practice should exclude pressure on persons, institutions, and echelons to undertake tasks in excess of the plan.

C. It is necessary to immediately undertake liquidation of obvious absurdities in the functioning of enterprises. It is possible to intensify market production now because of the abolition of limitations on restraining of manufacturers. Those limitations were:

--allotting funds for wages;

--fixed prices of products;

--system of supplying materials.

Enterprises should be able to increase wages in cases of employee reduction and the undertaking of additional tasks by the remaining employees. This requires abrogation of limits on employment and of the rights of local authorities in this area in relation to enterprises.

In the sphere of management of materials, supplies, and sale it is postulated that efforts should be intensified to recoup and utilize valuable waste and secondary raw materials and to manage excessive reserves of materials, raw materials, and spare parts as well as unsaleable market products. Introduction of substitutes for raw materials, semi-manufactured articles and sub-assemblies is considered as effective only under the condition that profitability and high quality of products are maintained. Significance of appropriate standard stocks of materials in the enterprise was underscored. This is related to the necessity to rebuild cooperation ties, effective completion of agreements in this area, and safeguarding them with severe sanctions. The principle of free matching of co-operation partners was favored. If alternate sources of supply are available, they should be utilized regardless of the sector of the economy in which they are, but should be utilized according to the principle of cost-effectiveness. This also applies to the import of supplies which guarantee effective export of products.

Enterprises should acquire rights to make investments in modernization and renovation, which should be treated as priority projects.

It was stated that the shortages in supplying enterprises with electrical energy may be less acute and may not bring such great economic damage if the present principle of shut-offs is changed. Under present conditions selective shut-offs of electric power supply ought to take place mainly in the plants of final production. This would result in reduction of the effects of accumulation of disturbances caused by shut-offs in the initial phases of production.

D. This formulation of the program of action results in the necessity to change the present way of evaluating performance of tasks by the enterprise. The issue here is the immediate but nevertheless basic reduction of the number of indicators and standards, and as a result, a reduction in reporting on the activities of enterprises. According to the directors, the degree to which the tasks concerning lines of products are completed, should become the basis for evaluation.

E. The short-range plan of action should simultaneously create conditions for proper preparation and for introduction of long-range planning of a unified program of social and economic reforms. Thus, it is necessary to immediately undertake work on a new economic model. Groups carrying out the work should present their proposals of solutions to a wide circle of managers who should find a significant representation in all groups of the reform commission.

At the same time groups preparing the economic reform project have to determine how to insure favorable social conditions. Determination of premises of social acceptance of the reform entails unequivocal and honest answers to such questions as, e.g., "what should be done so that people have enough food", and "what should be done to assure a place to live for all those that need it."

Long Range Program of Action

A. It is absolutely necessary to limit the plurality of centers of authority and the excessive number of directions given enterprises by various institutions and central and local echelons. For example, directors think that the PZPR

Central Committee should set guidelines for socioeconomic development, make decisions on the basis of the real state of the economy and by taking into account objective economic laws. The Party should not interfere in the fulfillment of social objectives thus defined, but it should control their fulfillment in a business-like manner.

Local administrative organs should again be charged with full responsibility for the state of social structures. They should undertake fulfillment of all the tasks which were up to now in the domain of enterprises. This will, of course, require a change in operating conditions and putting in order activities in such spheres of social needs as city transportation, nursery schools and kingergartens, apartments, commerce, etc.

The development of national specialties (e.g., coal mining, agriculture, sugar industry, food processing, and gardening and fruit growing) should be defined clearly and according to the will of people, and it should be safeguarded.

Real progress in agriculture will make it possible, first of all, to give preferential treatment to individual farming, among other things, through just division of the means of agricultural production (fertilizers, machinery, pesticides, fodder).

The introduction of rational "profiles" of production lines in industry is a condition of the improvement in the area of co-operation and better organization of production. Undertaking and successful completion of these tasks may in effect justify the existence of some associations as economic units. But even then enterprises should be assured considerable autonomy within the framework of the association. When such associations exist--as purposefully arranged clusters of enterprises--it will be possible to limit the number of so-called "branch ministries", since their rights would be overtaken by the associations "with a profile."

B. Changes in the direction and methods of social development require a transformation of the economic system. In order for the proposed reforms to be effective, they should cover the whole system of social management. It is necessary to create an economic system with "self-sterring capability." The system will acquire the ability to adapt only when it is managed according to objective economic laws and when such economic categories as value, price, profit, etc., are respected.

Managing the economic system must be based, among other things, on the following premises:

--the price of the product is a function of the average manufacturing costs,

--profit becomes the basic standard of the evaluation of the effectiveness of management and calculation of the manufacturing costs is based on average world prices;

--funds for wages are determined in proportion to the size of tasks, as opposed to being a factor limiting employment;

--central economic authorities influence enterprises by using such instruments as sales tax, special taxes (e.g., excessive profit tax), subsidies, etc.;

--profit and credits are sources for financing investments. Conditions for distributing these sources reflect preference of the central economic authorities for development of individual branches;

--"one zloty" is introduced in the whole economy, also including export and import.

This means exchangeability of our currency as well;

--co-operative (supply) production is treated in the same way as final production.

Reform of the economic-financial system changes the role of particular leaders of the economy as well as economic processes. There are two matters of fundamental importance.

Organs (administrative and representative) of the enterprise should have significant autonomy guaranteed by laws and statutes in the following areas:

--planning development and production;

--effectiveness and profit growth;

--wages and bonuses;

--structure and level of employment;

--division of earned funds;

--obtaining credits;

--the size of standards for supplies of materials.

The planning process should take place at the rank and file level. It should be based on realistic and honest balancing of resources (materials, machinery, energy, people) and the ability to process them. The planning procedures should, therefore, reflect their social character and become procedures for social agreements.

Results of the reform do not pertain to enterprises only. For example, liquidation of compulsory crediting relieves banks of the role of "watchdog" and transfers to them their role as "partner"--a institution financially serving enterprises.

Respectively, premises and forms of foreign trade should undergo changes. Manufacturers have the right to make decisions concerning export and import, excluding mediation enterprises and centers for foreign trade. This postulate shows, first of all, how unreasonable the present monopoly of the Center for Foreign Trade (CHZ) is in trade abroad.

C. The matter of the division of tasks and the responsibility for preparation and introduction of changes in the economic system needs to be settled. This is, among other things, a question of changes in the cadre policy and the management of human resources. It was stated that the necessity of changes concerns persons occupying the highest posts as well as rank and file employees.

The directors agreed that there is a need to separate the Party functioning from administrative functions at all levels of the state and the economy. At the same time, they spoke for the adoption and consistent observance of the principle, according to which taking higher and higher managerial posts must be justified by positive evaluation of the job performance at lower posts in the given area of state or economic activity.

Proposals for solutions to problems in the sphere of management of human resources included:

--creation of a rank and file level mechanism of streamlining employment;

--making the system of wages by professions uniform;

--creation of planned reserve of manpower with a minimal level of social security insured;

--creation of a formal-legal foundation for firing unfit employees (undisciplined, inefficient, etc.).

It was repeatedly emphasized that a particularly important role in proper management of human resources may be played by a changed wage system. Such a system ought to be just. The direct expression of this rule would be a relation of maximal and minimal wages. The system should also be clear, i.e., it should contain a finite number of components.

D. Persons and organizations in key business positions interacting under conditions changed as a result of economic reform must have precisely defined powers in the enterprise. The division of power should be arranged in the following manner:

--director and management--methods of completion of tasks, the enterprise's accomplishments, policy concerning cadre and wages, development of the enterprise;

--employee self-government--adopted of realistic tasks, cooperation in completion of the tasks, and control of their completion;

--trade unions--control of work conditions, of socioeconomic services, and safeguarding of the right to work;

--the Party organization--political and social atmosphere in the plant.

It was also repeatedly stated that it is necessary to gain social acceptance of such a division of rights and duties among the organs of authority at all the levels.

9959
CSO: 2600/699

PAST, FUTURE DEVELOPMENT OF FOOD INDUSTRY OUTLINED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 1, Jan 82 pp 9-13

[Article by Tadeusz Kluk: "The Food Industry and the Directions of Its Development"]

[Text] With the economic growth of Poland in the post-war period there was an ever stronger demand for consumer goods, mainly food articles. Meeting this demand was made difficult by a lack of accommodation of the production potential of the food industry to the growing needs of the population. The growth of the food industry was much less than the increase in food requirements and less than the rate of growth of the means of production.

Many years of neglect of purchasing techniques as well as the improper distribution of plants caused a prolongation of time and of the path between the farmer's raw materials and the processing site. About 50 percent of animals purchased from the eastern regions were brought to large meat plants located in southwestern voivodships. A similar situation existed in the transporting of about 2.5 million tons of sugar beets. The food industry began to act as a brake on the development of agriculture.

With regard to the growth of the food industry, 1971-1980 was a good period, although there was a negative side. The increase in investment outlays in this period brought a growth of new production and service capacity on a scale greater than the total of all the years since 1945.

Discussion of this growth, especially of meat production or in the grain-mill industry may, with the present severe shortages of basic food products, amaze and call for the question: since so much has been built in this industry, why can it not now supply the population with simple kasha (buckwheat groats), flour, or sweets?

The answer to such a question would require discussion of the situation in nearly every branch of the food industry since, for example, in the meat industry, some plants are not in fact being fully utilized because of the inadequate supply of slaughter animals in recent times. However, in the grain-mill industry, plants are operating at full steam the entire year, in three shifts on work days and holidays, and despite this, the industry must make

use of the costly help of mills outside the grain-mill industry and even ask the help of neighboring states.

The poor weather of the past several years, catastrophic in 1980, caused difficulties in the supply of raw materials, which limited production of food products by one-third, and in certain food categories, by 50 percent. On the other hand, the abnormal financial situation in the marketplace tipped the scales in the direction of a severe inflationary gap, which disposed the populace toward massive purchases of anything that was for sale.

In order to restore market equilibrium, the food industry will have to produce, for a certain time, at least twice as much as in 1978, and it is not known whether with such an increased demand and a regulated market it will be possible to satisfy society's appetite. This indicates the need for comprehensive reform of prices in the shortest possible time. This will probably not solve the problem of supply but it will at least do away with the paradoxical relationship between raw materials and finished products. At the same time, there must be a decisive increase in production.

Compounding the situation is the lack of raw materials from abroad, which limits or completely shuts down production of several products of the confection, tobacco, food concentrates and alcoholic beverages industries.

Thus, we are dealing with a highly complex situation and therefore the current shortage of food products in the marketplace cannot and should not be a factor in evaluating the investment needs of the food industry. The production capacity in this industry continues to be inadequate and requires further intensive development. It will suffice for crop yields this year to reach even an average level for processing capacity .o be demonstrated in the form of excessive losses due to prolonged storage of raw materials, prolongation of the processing campaign, etc.

Investments of the Years 1971-1980

In the years 1971-1980, the Ministry of the Food Industry was given for development a large quota of investment and foreign exchange funds, which is illustrated in Table 1. In the years 1971-1975 alone, it obtained more investment resources than in the entire period from 1945.

Table 1. Investment Outlays of the Ministry of the Food Industry in the Years 1971-1980 (current prices)

In million zlotys

Fulfillment	Total 1971-1980	of which: 1971-1975	1976-1980
Total	138,634	62,940	76,694
Construction-assembly works	53,273	23,094	30,179

The investment outlays in the years 1971-1975 jumped from year to year, from 4.7 billion zlotys in 1971 to 9.0 billion zlotys in 1972 and 16.9 billion

zlotys in 1976, that is, in 3 years there was a 3.6-fold increase. This system of quotas created broad possibilities for developing new investments and concentrating expenditures in continuing investments.

For comparison, outlays in the years 1950-1970 amounted to 47.2 billion zlotys, of which labor was 20.8 billion zlotys.

Thanks to having its own design bureaus, the Ministry of the Food Industry could document the design-cost relationship in a short time.

The scheme of investment outlays in the 5-year period 1976-1980 was good as a phase of the 5-year plan. It started at 17,882 million zlotys in 1976, and increased gradually to 20,261 million zlotys in 1980. As the plan was being fulfilled, appropriate sums were added to the industry for speeding up the development of poultry production.

In the 5-year period 1971-1975, the industry was favored with a particular regard by the authorities. The Ministry of Construction and Construction Materials Industry continually monitored the execution of essential tasks at all the more important building sites. Every month there was a meeting, with the participation of interested ministries. Thanks to this, the essential tasks were carried out in full.

During the second 5-year period, the situation relative to the execution of investment tasks changed diametrically. The state's greatly expanded investment plan caused a lack of discipline in the carrying out of the investment tasks of the food industry. The Ministry of Construction increasingly moved construction of buildings of this industry to the background, throwing materials and construction equipment into other construction considered as priority ones. This so-called economic maneuver hurt the food industry very much. Of the investment outlays assigned in the 1976-1980 5-year plan, a total of 59 percent was fulfilled while 69.6 percent of the quota for construction-assembly works was completed.

Despite yearly assurances of the importance of developing the food industry, the modernization works were limited and the deconcentrated investments were transferred in large part to heavy industry. As a result, execution of a number of construction projects of the food industry was stopped, extending the completion time of these buildings by 3-4 years. Among others, the construction of two meat plants, ten sausage plants, and two poultry plants was suspended. As a result of the restriction of funds, the building of the sugar mill in Chmielnik is being carried out at such a slow pace that construction time is being extended from 4 to 9 years, which is a record in the food industry.

In the years 1971-1980, there was a concentration on increasing production capacity of processing and storage plants for products of animal origin (meat, poultry and cold storage plants), and of the collection and storage of grains, processing of sugar beets, fruit and vegetable processing, and production of fodder. About 42 percent of total outlays was allocated for the development of the branches producing items of animal origin. 10 percent

on the grain-mill industry, 15 percent on the sweets industry, 7 percent on the fruit and vegetable and beer industries, and about 26 percent of outlays on the remaining eight branches.

As a result of investments in the entire decade 1971-1980, a growth in production was attained as is shown in Table 2.

Table 2. Growth in Production and Service Capacity in the Years 1971-1980 in the Food Industry

Item	Unit of Measure	Total 1971-1980
Slaughter meat	thousands of tons/year	680
Sausages and processed meats	" "	240
Canned foods	" "	80
Milling of grains	tons/day	2,600
Fodder mixtures	thousands of tons/year	1,400
Slaughter poultry	" "	160
Beer II	thousands of hectoliters/year	5,245
Beet processing	tons of beets/day	20,140
Fruit and vegetable products	thousands of tons/year	65
Carbonated soft drinks	millions of thousand liters/year	182
Pastries	thousands of tons/year	68
Malt	" "	76
Frozen fruits and vegetables	" "	55
Frozen cooking items	" "	58
Citric acid	tons/year	2,300
Albuminous casings	millions of running meters/year	50
Animal meal	thousands of tons/year	49
Broiler breeding	tons/year	7,100

In comparisons to the situation in 1970, the increase in production of meat amounted to 49 percent, sausages 80 percent, milling of grain 14 percent, fodder mixtures 100 percent, slaughter of poultry 200 percent, beets 14 percent, frozen fruits and vegetables 200 percent, and pastries 142 percent.

The construction of many new processing plants during the past decade is a great achievement. In the meat industry, conditions were created to collect animals without the need for holding them for long periods at the purchase sites, where for several days animals were not properly fed or watered, which caused large losses in weight. Also, interregional transport of animals over large distances stopped.

In the poultry industry, a number of slaughtering plants and plants for industrial breeding of broiler chickens were built or expanded thanks to which conditions were created for expanding poultry raising by private and cooperative breeders. The industry increased purchase of poultry more than three times as compared to 1970.

The grain-mill industry, besides the enormous growth in grain storage volume, expanded its capacity to accept and dry grain to such an extent that despite the terrible weather conditions in 1980, the grain purchase campaign was carried out without great disruptions or losses. The industry also achieved results in the area of the effective distribution of elevators connected to the raw material base and the network of mills. Unfortunately, it was not possible to increase the milling capacity of the industry simultaneously, which at present is so sensitive.

In the confection industry, three new sugar mills were built with larger processing capacities than those previously built, and the technique of sugar beet collection was modernized by the purchase of a great amount of machinery for loading and unloading, and for receiving beets.

In the brewing industry, besides the construction of new breweries in Lomza, Gniezno, Elbrqlec, and Poznan, and of three new malt plants, the supply of cola drinks to the market was increased, which considerably eased the shortages in the supply to the populace of soft drinks.

The negative side of this success is the fact that the growth in production capacity was not always attained where it was most needed, that is, in the regions where the raw materials originate. Therefore, there was no decrease in the distance of transport of the raw material. And, after all, the distance of transport has a significant influence on the effectiveness of the industry's work.

In discussing the investment processes of the food industry, there is no way to avoid the problem of import of complete meat, poultry, fodder, Coca-Cola and Pepsi-Cola plants. Import of complete food plants brings about in some cases a shortening of the construction cycle, and a raising of the technological level of the plants. This import has also had its negative side since foreign exchange might have been utilized more effectively. For example, import of construction works was not so very necessary, especially if one considers that they were carried out by Polish workers and with Polish materials.

The great investment expenditures as well as the substantial import of raw materials resulted in an improvement in the supply of food products up to 1978.

The first symptoms of the crisis appeared in 1978 with the decrease in import of raw materials. The breakdown in market supply occurred in 1978. Finally, in 1980, it crushed because of the disastrous crop yields and never before seen difficulties of the state's balance of payments.

The scale of the expansion of the production capacity of the food industry is illustrated by the growth in fixed assets and changes occurring in its structure. As a result of investment activity, fixed assets of the food industry increased four-fold relative to 1960, but in the poultry industry this increase was 14.3 percent, in the meat industry, 7.3 percent, in the cold storage industry 5.8 percent, fodder industry 5.6 percent, grain mill industry 3.0 percent, and in the confection industry 2.4 times. In 1970, the

value of fixed assets amounted to 67.3 billion zlotys while in 1980, it reached a value of almost 180 billion zlotys.

In the type of fixed assets, there was a greater increase in the value of machines and machinery than in the value of buildings. In 1960, the share of machines and machinery in the fixed assets amounted to 31.2 percent while in 1980, 42 percent. The increase in the share of machines and machinery relative to the total value of fixed assets testifies to the move toward an improved technical equipping of places of work.

Foundations for Development in the Years 1982-1985

Outlining the program for development of such an important sector of the national economy as the food industry is not an easy matter under the present conditions. We are moving in a jungle of unknowns. What is lacking is a clear forecast of agricultural yields, and of the development in the breeding of slaughter animals and poultry. Not known are the possibilities of importing several important raw materials such as oil seeds, cocoa beans, hard wheat, citric acid, and some varieties of tobacco, packing materials, etc. Under conditions of great uncertainty and a lack of directional principles, it must be assumed that all factors which condition the production of food items are operating on at least an average level. This provides a base for a more optimistic look at the future.

The main economic goal of the 1981-1985 plan must be the greatest possible growth in production of consumer goods. This goal should be an investment plan which will make possible attainment of this increase in production.

Facing up to these assumptions, the Council of Ministers passed in May, 1981, a resolution on the hastened development of the grain-mill industry and the oil-extracting industry.

In the grain-mill industry in the years 1982-1986, there is to be an increase in production of:

--wheat flour by 865,000 tons
--barley groats (kasha) by 15,000 tons
--oat flakes by 12,000 tons

To this end, there is to be construction of two large grain processing plants in Tychy and Krakow, a mill in Plonsk; the Grain Processing Plants in Warsaw are to be expanded, 30 aggregate mills with wheat milling capacity of 60 tons a day are to be built, existing commercial and selected larger farm mills are to be modernized and expanded.

The resolution contains detailed decisions concerning the Ministry of Construction and the Ministry of Machine Industry with regard to the scheduled completion of work and the delivery of machinery, and concerning the Ministry of Foreign Trade with regard to purchase of necessary machinery.

A particular problem with the placement of new mills and with the selection of existing mills for expansion is such a method of locating them centrally which will enable them to supply the populace of the surrounding area in a radius not greater than 30-35 kilometers. The goal in the policy of mill placement should be the minimizing of transport of grains and finished products. There still are whole regions in which no wheat mills exist. First among these regions are Nowy Sacz and Krosno voivodships. Regardless of the investments mentioned in the resolution, the milling industry should be expanding its base of purchase in the form of sites for receiving and drying grains, and with storage capacity.

The oil-extracting industry is a second privileged industry whose investment program for 1981-1985 was approved by the Council of Ministers in Resolution 90/81 of 11 May 1981, calling for:

--an increase in production of margarine to 355,000 tons in 1985 of which 57,000 tons will be vegetable butter;

--an increase in production of oil to 25,000 tons in retail packages and to 10,000 tons in larger packages;

--an expansion of oil seed processing capacity by 300,000 tons a year.

This amount of production is to be reached by expanding and modernizing existing plants.

The confection industry currently has the capacity to process about 155,000 tons of sugar beets a day, which with the yield of sugar from beets in the area of 18.7 percent allows production of about 1,650,000 tons of sugar annually. Currently, production of sugar is too expensive. Growing beets with a low sugar content and too extended a sugar processing time cause large losses of sugar and high costs of processing. The industry is overly dispersed. Most sugar mills cannot be modernized and expanded because of their location within residential districts. The mills are very old. The average age of the mills is over 94 years. Poland, which is famous for having specialized in the export of large and modern sugar mills, itself has the largest number of small sugar mills in Europe. In 35 years, only three new sugar mills have been built in Poland. A fourth sugar mill is in its fifth year of construction. The planned completion date for this sugar mill is 1984 which most likely will break the record for length of construction in the food industry.

To reach sugar production of about 1,850,000 tons in 1985, it will be necessary to build at least four new sugar mills, each with processing capacity of 6,000 tons of beets a day, as well as to modernize at least 25 sugar mills by equipping them with new heat and power generating plants and equipment for processing wastes. Moreover, sugar mills should be equipped with silos for storing sugar, and with machinery for packaging sugar for retail.

The confection industry should build two plants for production of citric acid with a total production capacity of 8,000 tons a year in order to end our

dependence on the constant, expensive import of citric acid from the dollar zone and to end up with a certain small export.

The potato industry is another industry with an inadequate and outdated material-technical base. With total harvests of potatoes in Poland in the area of 42-52 million tons annually, the industry processes only 1.2-1.5 million tons annually. It does not have warehouses for storing edible potatoes or processing plants for the sought after frozen potato products.

The production of dried potatoes should increase by 40,000 tons a year to 1985. The potato industry should increase production of potato syrup by another 70-80,000 tons a year to 1985 which would supply factories of the confection industry with a raw material to replace sugar in the production of sweets.

To attain this goal, it will be necessary to build a new potato processing plant with a capacity of 2,000,000 tons a day along with a syrup plant and a division for the production of dried potatoes in eastern Poland, where there is a rich base of raw material (Biala Podlaska and Siedlce voivodships), without having to transport large amounts of potatoes to potato processing plants located in western Poland 300-450 kilometers away.

The fruit and vegetable industry has been deprived of the possibility of a greater investment for the last 10 years. In this industry it is necessary to increase the important production of fruit and vegetable products for children, meat and vegetable canned foods, canned peas, tomato concentrates, non-carbonated and carbonated fruit drinks and frozen fruits and vegetables. Attaining these results is possible by building 2 new full production plants, 15 cold storage warehouses, and freezers in existing plants, and by modernizing and expanding about 30 existing plants.

In the cold storage industry there is a need to build several new facilities and to increase production of frozen fruits and vegetables by another 45,000 tons, as well as production of frozen food items and prepared meals by another 15,000 tons a year.

The first of the remaining branches of the food industry is the tin can industry, whose too small production is becoming a brake on the development of the production of canned food items.

In the meat, beer and spirits industries, modernization investments will play a major role. In these industries, there will be a need to build a new plant for producing baking yeast (10,000 tons a year) and a malt plant.

An alarming concern in the food industry is an increase in the production of machines and equipment. The domestic industry does not cover half the need for machines. A large number of machines must be imported. The Union of the Production and Assembly of Food Machines considerably decreased the selection of machines produced, concentrating mainly on export expansion. We do not have domestic producers for simple and limited items despite the fact that they are as important as more complicated and expensive equipment.

9915
CSO: 2600/687

PROSPECTS OF LARGE CRUDE OIL DEPOSITS ASSESSED

Warsaw PRZEGLAD GEOLOGICZNY in Polish No 1, Jan 82 pp 1-5

[Article by Jerzy Znosko: "Will We Discover Large Quantities of Crude Oil in Poland?"]

[Text] A great deal has already been written about the prospects of finding deposits of crude oil and gas in Poland, including expert professional reports prepared by groups of Polish council specialists.

In view of the continually maintained national excitement, it is absolutely necessary to set forth certain empirically established statements, as well as the data derived from investigating Poland's geological structure, and also from worldwide geological studies. These can be grouped into two principal groups of problems. One of these is worldwide findings in the laws which govern the occurrence of crude oil and gas deposits. The second consists of the conclusions and findings that have a bearing on the prospects for discovering oil and gas in Poland. These are derived from the present state of the investigation and reconstruction of the history of Poland's geological development. These are, first of all, conclusions derived from the dynamic development that transforms the structure of the Earth's crust and shifts tectonic units. This is of very importance for predictions, since geodynamic changes set in motion and intensify the migration of bitumens; these changes result in a relocation of the bitumens and pose difficulties for geological detection, and sometimes lead to the complete destruction of the deposits with only traces remaining.

Some of the above-mentioned findings are insufficiently considered, and sometimes even completely neglected, in predicting the exploration propsects for crude oil and gas deposits. These are the ones to which I mainly wish to call attention.

The main areas in which explorations for crude oil and gas are being conducted for deposits are the Carpathians and the Carpathian Fore-Deep series, and Lowland Poland, above all the pre-Sudetic area and Wielkopolska, Kujawy, and Pomerania, and to a certain extent also in the Lublin area.

I consider the exploration prospects for crude oil and gas in the Carpathians and for discoveries of large, abundant deposits to be very modest. I am basing my view on the conclusions that are suggested by the following: a) a comparison of the tectonics of the western and central Carpathians to the

tectonics of the eastern Carpathians, which are known for their moderately abundant deposits of crude oil and gas; and b) an assessment of the chances for the existence in Poland of the so-called "deep-seated folds" that appear in the eastern Carpathians and contain the largest deposits of crude oil and gas thus far proven and exploited. The unlikelihood of an extension of the deep-seated folds to the area of the central and western Carpathians is also derived from tectonic comparison, although this hypothesis has been put forward.

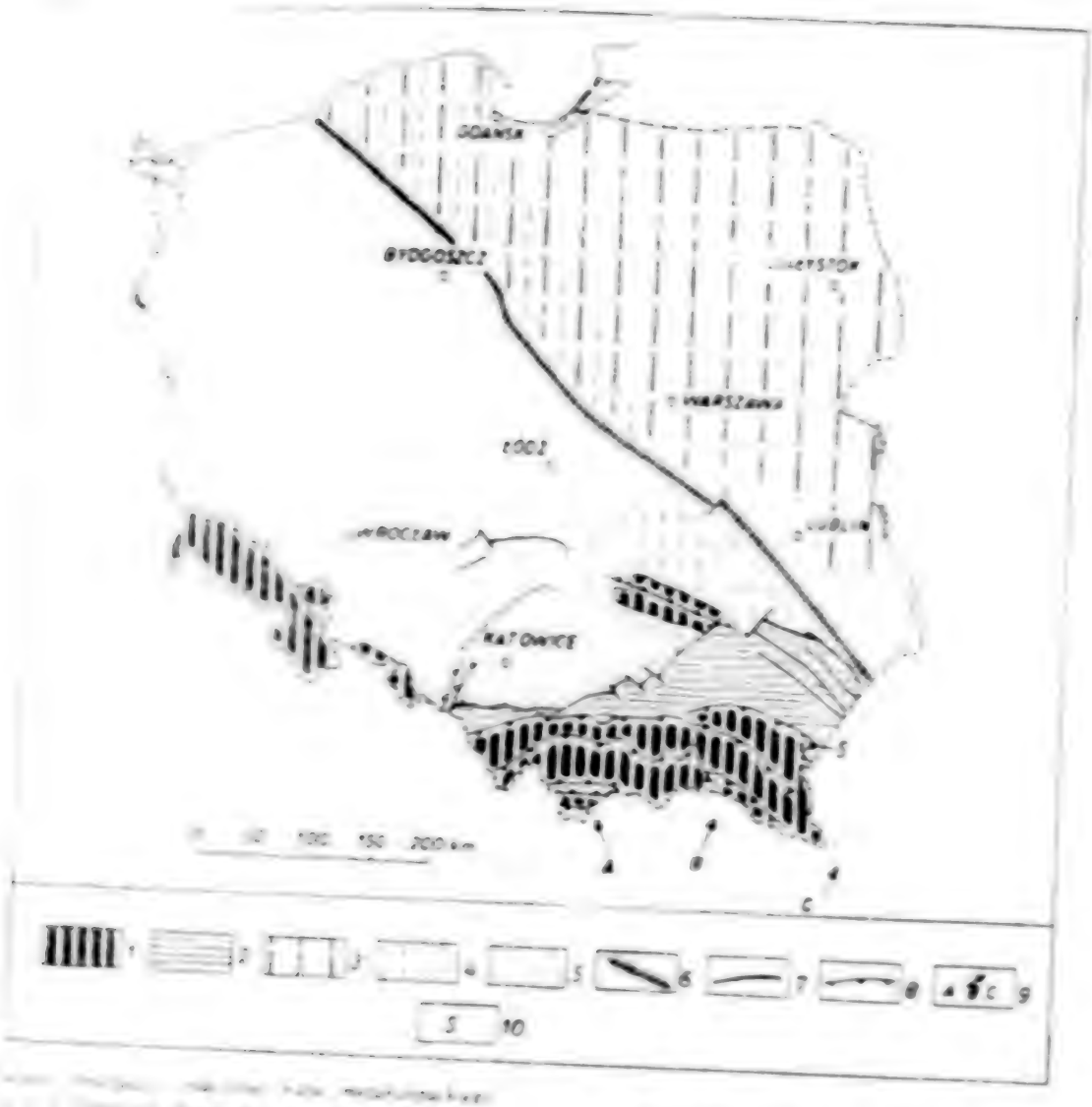
The western Carpathians are characterized by broad and flatly overthrust nappes resulting from decollement and scission, which extend very far into the Carpathians' foreland and sometimes even completely cover the rock complexes of the fore-deep series. The central Carpathians have nappes with smaller but still large overthrusts, and a strongly accentuated and well-preserved fold structure. On the other hand, the eastern Carpathians are structurally opposite to the western and central Carpathians. The nappes that also exist here are packed together and are very intensively digitated and flaked throughout their entire cross section, which has resulted in the identification of this type of structure as overthrust-fold tectonics.

It is thus possible, going from west to east, to characterize the variation in the type of tectonics in the Carpathians as follows: western Carpathians--broad, flat nappes resulting from decollement and scission; central Carpathians--nappes with sharply expressed folds complicating the tectonic type of the nappes; eastern Carpathians--nappes with extremely compressed folds, resulting in the flaking of the folds and the entire nappes, and their being given the overthrust fold structural type.

It is precisely under these overthrust folds of the totally flaked nappes that deep-seated folds lie, with the well-known large crude oil deposits of Drohobycz and Boryslawie.

Against this background of comparative tectonics, what do the chances look like for the existence of deep-seated folds in the Polish Carpathians? It seems to me that they are slender or non-existent, for the following principal reasons.

Nappes that are overthrust far into the foreland of geosynclines indicate that the slope of the scarp of the continent (i.e., the scarp of the shelf) sloping down to the bordering trough of the Flysch geosyncline of the Carpathians was very slight, and thus both made possible and facilitated such an enormous overthrust during the accretion of the geosyncline. The gradually steeper and steeper slope of this scarp, and then the gradual increase in its height toward the east, which cannot be neglected, hindered to an increasingly greater egree the extensive overthrusting of nappes resulting from decollement, which therefore must have undergone increasingly more intensive folding. The great steepness of the shelf scarp of the geosyncline, and the relatively great scarp height obtained in this manner, generally prevented an extensive migration of nappes resulting from decollement. The overthrusting nappes, encountering in their path the steep buttress of the bulwark, were subjected to successive folding, at the same horizontal pressure as the whole of the Carpathians, and afterwards to flaking, and were thus transformed into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of the North Sea, which were accumulated in the rock complexes of the platform cover. For the migration of these bitumens, the dislocation zone of the Viking trough and the central trough may play a special role as a conducting passage-way.

The formation of the Meta-Carpathian Swell considerably disrupted the original normal relationships of the advantageous passage of rock complexes from the Carpathian Flysch (before its upthrust) to the rock complexes of the Carpathian Fore-Deep Series, and ultimately to the rock complexes of the tectonic bulwark. The rise of the Meta-Carpathian Swell, which is genetically a horst-like structure, resulted in a tectonic cleavage in both of its bordering zones, across which the dynamically migrating bitumens could and must have been drawn into the surface; sometimes this activity even turned them back from the normal and initial direction of their migration. The rise of the Meta-Carpathian Swell must then have led to the dispersion and destruction of the previously existing deposits.

The migration of bitumens that we are discussing must have been given additional dynamism by this tectonic activity, and its direction was determined in a natural manner, i.e, a convergence took place from the Carpathian Fore-Deep Series to the horst, and also from the platform bulwark to the Meta-Carpathian Horst. In this latter case there could even have been a reversal of the direction of migration.

After the deposits were dispersed and destroyed, only traces of them remained in the structural traps, e.g., in Dabrowa Tarnowska, Grobl, Pławowice, Radomysl and Borzęcin, as well as the crude oil confined in the dislocations, as in Wójcza. The genetically differentiated oil occurring in complexes of differing age demonstrates that the bitumens migrated and the deposits were formed, and afterwards they came to the suface through the dislocation swell zones of the Meta-Carpathian Swell.

The results obtained to date from exploratory drilling in the Polish Lowland, which are modest in comparison with our expectations, may also be explained as the unfortunately destructive role of the Teisseyre-Tornquist tectonic zone, and especially the eastern part of it, which, like the Meta-Carpathian Swell, played a similarly unfavorable role.

This zone places an unexpectedly sharp limit on the extension to the east of the platform rocks of the Devonian and Carboniferous, which initially existed in the area of eastern Pomerania and Masuria. The lower Devonian in particular is well-developed in the old red facies, and the terrigene, mainly clastic, formations of the Carboniferous were probably excellently suited to receive the vast old New Paleozoic crude oils which migrated from the geosynclinal formations to the rock complexes of the Carpathian Fore-Deep series, and then further to the rock complexes of the platform cover.

Unfortunately, as a result of a strong upheaval in the lower Permian, they were completely eroded on the old platform, and now, along the Teisseyre-Tornquist zone, we have formations of the Ordovician, Silurian, Devonian, and Carboniferous occurring to the west of the Teisseyre-Tornquist "line," side by side and in direct contact with formations of the highest Silurian, which are located to the east of the Teisseyre-Tornquist "line."

[illegible] an intensive [illegible] of injured and gravitual bitumens from the Old Paleozoic fold formations with the Jurassic and Carboniferous formations irregularly covering them, [illegible] to the west of the Teisseyre-Tornquist zone. These deposits must have been subjected to almost complete dispersion in the Lower Permian.

On the other hand, any deposits of crude oil and gas located to the east of the Teisseyre-Tornquist zone and occurring in the sedimentary complexes of the Old platforms were completely destroyed together with the rock covering of the Devonian and Carboniferous, in which they were initially located.

Only the irregular and erosional covering of both wings of the Teisseyre-Tornquist tectonic zone by the insulating Zechstein formations, and younger ones, weakened the escape of the remaining deposits of bitumens.

The small deposits of crude oil and gas that have been discovered, e.g., in [illegible] and Cambrian Pomerania, and recently in Karlin, should be treated as [illegible] originally considerably larger and more important deposits in the area under discussion. The small deposits in the Kaliningrad Circuit likewise [illegible] the correctness of this point of view.

[illegible] these past predictions for exploration, research and explorations for deposits of [illegible] oil and gas should nevertheless be continued, if only because of [illegible] the gains incurred by Polish geology in explorations for [illegible] of the deposits of crude oil and gas demonstrates that this is [illegible] more. The profitability is revealed very dramatically by a comparison [illegible] the value of the amount of crude oil and gas that we are exploting, [illegible] we would have had to incur foreign exchange expenditures if we had to [illegible].

[illegible] be carried out, even if we were not to obtain better [illegible] than we obtain [illegible] to regard to discoveries of crude oil and gas.

[illegible] to increase the effectiveness of these explorations, however, we should aim at intensifying basic research, especially the research in which we are lacking, i.e., geochemical, paleontological, and sedimentation research. We should also aim at comprehensive compilation of the results of this research. Finally we should aim at any cost for a joint coordinated scientific [illegible] research and explorations by the parties involved. [illegible] to note with regret that this cooperation has been uncoordinated and [illegible], and subjected to diverse ministerial pressure; this has [illegible] led to unregulated "competition." Nevertheless, cases are known [illegible] drilling has been localized in areas that were insufficiently [illegible].

[illegible]

[illegible]

UNIT STATISTICS OF INDUSTRIAL PRODUCTION REPORTED

Warsaw ŻYCIE GOSPODARCZE in Polish No 20, 6 Jun 82 p 4

[Text] In current assessments of the economic situation, changes in industrial production are being reported in standard units only in exceptional cases. As a rule, the value of the products sold is related to industry in general, or with some of its sub-sectors singled out. Among the exceptions is hard coal, for which production is given in thousands of tons. We are therefore presentingbelow the changes in production, in standard units, of thrity-odd industrial products.

1) those for which production declined slightly or even increased (in comparison with last year);

2) those for which production declined at a rate close to the average (about 10 percent);

3) those for which production was reduced by relatively the greatest extent.

The first group, in addition to hard coal (which we are omitting here) includes among other things:

Brown coal. In April 1982, 2.82 million tons of it were produced, and in the analogous period of 1981, 2.78 million tons; in 1980, 2.99 million tons; and in 1979, 3.19 million tons. Production in the first 4 months of these years was as follows: 12.44 million tons in 1982; 12.80 million tons in 1981; 13.04 million tons in 1980; and 12.36 million tons in 1979.

Electrical energy. In April 1982, 9.64 billion kWh; in 1981, 9.64; in 1980, [illegible]; and in 1979, 9.69. In a 4-month period: 41.75 in 1982; 41.86 in 1981; 43.46 in 1980; and 40.93 billion kWh in 1979.

Electrolytic copper. In April: 30.0 thousand tons in 1982, 26.5 in 1981; 32.2 in 1980; and 26.1 in 1979. In a 4-month period: 110.4 in 1982; 112.2 in 1981; 121.6 in 1980; and 103.5 thousand tons in 1979.

Agricultural tractors. In April: 4.6 thousand in 1982; 4.5 in 1981; 5.2 in 1980; and 4.6 in 1979. Four months: 18.8 in 1982; 18.6 in 1981; 20.0 in 1980; and 18.7 thousand in 1979.

[illegible] In April: 24.4 thousand tons in 1982; 20.9 in 1981; [illegible] 27.8 in 1979. Four months: 108.2 in 1982; 94.0 in 1981; [illegible] and [illegible] thousand tons in 1979.

[illegible] In April: 64.3 thousand cubic meters in 1982; [illegible] 74.9 in 1980, and 84.6 in 1979. Four months: 323.2 in 1982; [illegible]; 320.3 in 1980; and 369.3 thousand cubic meters in 1979.

[illegible] In April: 12.4 thousand tons in 1982; 12.6 in 1981; 17.0 in 1980; and [illegible] in 1979. Four months: 58.3 in 1982; 66.2 in 1981; 85.7 in 1980; [illegible] in 1979.

[illegible] group of products, with production reduced by about 10 percent in comparison with the analogous period last year, includes, among others, the following:

[illegible] gas. In April: 6.56 billion cubic meters in 1982; 6.53 in 1981; [illegible] and [illegible] in 1979. Four months: 2.18 in 1982; 2.36 in 1981; [illegible] and [illegible] billion cubic meters in 1979.

[illegible] fuel. In April: 18.3 thousand kilometers in 1982; 21.3 in 1981; [illegible] and 23.0 in 1979. Four months: 75.9 in 1982; 86.4 in 1981; [illegible] and 87.0 thousand kilometers in 1979.

[illegible] In April: 391 thousand tons in 1982; 423 in 1981; 450 in 1980; and [illegible] in 1979. Four months: 1,483 in 1982; 1,324 in 1981; 1,632 in 1980; and [illegible] tons in 1979.

[illegible] fertilizers [illegible] on N_2. In April: 212 thousand tons in 1982; 114 in 1981, [illegible] in 1980; and 143 in 1979. Four months: 413.7 thousand tons in 1982; [illegible] in 1981; 470 in 1980; and 433 thousand tons in 1979.

[illegible] fertilizers based on P_2O_5. In April: 87 thousand tons in 1982; [illegible] 53 in 1980; and 85 in 1979. Four months: 283 in 1982; 249 in [illegible] in 1980, and 286 thousand tons in 1979.

[illegible] In April: 1.3 million tons in 1982; 1.54 in 1981; and 1.67 in [illegible]. Four months: 4.87 in 1982; 4.93 in 1981; and 5.37 million tons in 1980.

[illegible] In general. In April: 0.47 billion cubic meters in 1982; 0.55 in 1981; [illegible] in 1980, and [illegible] in 1979. Four months: 1.99 in 1982; 2.22 in 1981; [illegible] and 2.01 billion cubic meters in 1979.

[illegible] In April: 9.9 million square meters in 1982; 10.1 in 1981; 9.1 [illegible] and 10.2 in 1979. Four months: 35.1 in 1982; 39.4 in 1981; 38.5 in [illegible] and 35.9 million square meters in 1979.

[illegible] In April: 79 thousand tons in 1982; [illegible] in 1981; 89 in 1980; and 97 [illegible]. Four months: 301 in 1982; 313 in 1981; 357 in 1980; and 297 [illegible] in 1979.

[illegible] In April: 19 thousand tons in 1982; 19 in 1981; 21 in 1980; and [illegible]. Four months: 72 in 1982; 79 in 1981; 81 in 1980; and 72 thousand

Butcher animal products. In April: 117 thousand tons in 1982; 142 in 1981; 175 in 1980; and 168 in 1979. Four months: 599 in 1982; 672 in 1981; 760 in 1980; and 794 thousand tons in 1979.

Consumer vegetable fats. In April: 21.3 thousand tons in 1982; 24.2 in 1981; 21.5 in 1980; and 23.9 in 1979. Four months: 100 in 1982; 104.4 in 1981; 93.6 in 1980; and 93.7 thousand tons in 1979.

Unfortunately, there is a numerous group of products for which production in standard units fell over 30, and even 40 or more percent, in comparison with last year, and sometimes even more in comparison with preceding years. These include, among others:

Rolled products. In April: 0.86 million tons in 1982; 0.98 in 1981; 1.17 in 1980; and 1.10 in 1979. Four months: 3.28 in 1982; 4.17 in 1981; 4.60 in 1980; and 4.40 million tons in 1979.

Electric washers and dryers. In April: 35 thousand in 1982; 68.7 in 1981; 87.5 in 1980; and 93.3 in 1979. Four months: 203.3 in 1982; 264.8 in 1981; 278.8 in 1980; and 253.2 thousand in 1979.

Refrigerators and freezers. In April: 36.9 thousand in 1982; 51.0 in 1981; 62.5 in 1980; and 66.8 in 1979. Four months: 145.5 in 1982; 213.8 in 1981; 247.7 in 1980; and 272.2 thousand in 1979.

Railroad freight cars. In April: 608 in 1982; 1,021 in 1981; 1,365 in 1980; and 1,309 in 1979. Four months: 2,232 in 1982; 2,904 in 1981; 5,289 in 1980; and 5,300 in 1979.

Automobiles. In April: 18.9 thousand in 1982; 25.6 thousand in 1981; 32.0 in 1980; and 25.6 in 1979. Four months: 64.2 in 1982; 103.6 in 1981; 129.6 in 1980; and 103.6 thousand in 1979.

Trucks and truck tractors. In April: 2,825 in 1982; 4,044 in 1981; 4,598 in 1980; and 4,264 in 1979. Four months: 12,578 in 1982; 16,640 in 1981; 19,139 in 1980; and 14,297 in 1979.

Electrical cables. In April: 1.47 thousand kilometers in 1982; 2.24 in 1981; 3.24 in 1980; and 3.11 in 1979. Four months: 4.77 in 1982; 10.01 in 1981; 11.76 in 1980; and 13.00 thousand kilometers in 1979.

Radio sets. In April: 147 thousand in 1982; 261 in 1981; 218 in 1980; and 234 in 1979. Four months: 580 in 1982; 999 in 1981; 905 in 1980; and 841 thousand in 1979.

Television sets. In April: 47 thousand in 1982; 73 in 1981; 84 in 1980; and 73 in 1979. Four months: 161 in 1982; 301 in 1981; 332 in 1980; and 276 thousand in 1979.

Chemical fibers. In April: 14.3 thousand tons in 1982; 20.0 in 1981; 22.5 in 1980; and 20.9 in 1979. Four months: 55.3 in 1982; 78.6 in 1981; 89.6 in 1980; and 73.1 thousand tons in 1979.

[illegible] synthetic fibers. In April: 9.1 thousand tons in 1982; 13.6 in [illegible]; and 13.1 in 1979. Four months: 36.9 in 1982; 52.8 in 1981; 47.9 in 1980; and 49.0 thousand tons in 1979.

Cotton and cotton-like fabrics. In April: 57.6 million meters in 1982; [illegible]; and 72.7 in 1979. Four months: 231.0 in 1982; [illegible]; 226.2 in 1980; and 288.3 million meters in 1979.

Woolen and wool-like fabrics. In April: 7.5 million meters in 1982; 9.4 in 1981; 10.5 in 1980; and 10.1 in 1979. Four months: 30.9 in 1982; 37.6 in 1981; [illegible]; and 40.2 million meters in 1979.

Footwear in general. In April: 10 million pairs in 1982; 12.0 in 1981; [illegible]; 11.8 in 1979. Four months, 39.8 in 1982; 47.8 in 1981; 50.2 in 1980; and 47.7 million pairs in 1979.

Refrigerated poultry. In April: 4.9 thousand tons in 1982; 21.8 in 1981; [illegible]; and 23.3 in 1979. Four months: 62.8 in 1982; 123.5 in 1981; 106.1 in 1980; and 97.7 thousand in 1979.

[illegible]. In April: 56.5 thousand tons; 70.2 in 1981; 81.2 in 1980. Four months: [illegible]; 268.9 in 1981; and 303.5 thousand tons in 1980.

[illegible]. In April: 391 thousand tons in 1982; 644 in [illegible]; and 750 in 1979. Four months: 1,806 in 1982; 2,883 in [illegible]; and 3,085 in 1979.

[illegible] the dynamics of industrial production in standard units [illegible] by the Section for Industrial Products of the Industrial [illegible] of the CSO [Central Office of Statistics].

[illegible]

[illegible]

WORK STOPPAGES IN SERBIA, KOSOVO, VOJVODINA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Jun 82 p 8

[Article by L. Cocaj: "What Was Lost Has Been Made Up"]

[Text] In spite of the ever more pronounced economic difficulties and the stagnation in development of self-management, the number of work stoppages and of participants in them decreased last year in Serbia. In 1981 there were 63 such interruptions of work in the republic, or 22 fewer than in the previous year, and the number of participants dropped from 5,780 in 1980 to 3,120 in 1981, which is a drop of 46 percent. At the same time in Serbia proper there were 31 work stoppages, 27 in Vojvodina, and 5 in Kosovo.

Persons employed in machinebuilding decided most often on this way of resolving disputes within organizations of associated labor last year. One of the items mentioned in an analysis prepared in the Council of the Federation of Serbian Trade Unions was that last year the number of work stoppages doubled in machinebuilding as compared to 1979; that is, 590 employed persons participated in 10 stoppages. The number of such interruptions of work declined in metal manufacturing, the production of power machines, tools and appliances, construction, transportation and communications. Construction workers were in 1980 the largest group of participants in work stoppages, but last year their number dropped to less than half of what it was. After workers in machine-building the most numerous participants in work stoppages last year were those manufacturing power machines, tools and appliances.

Smaller Volume--Greater Dissatisfaction

As contrasted with previous years, when only workers from certain parts of work organizations or only from one OOUR [basic organization of associated labor] participated in work stoppages, last year workers from several OOUR's and entire work organizations jointly decided on interruptions of work.

Thus last year 18,000 workhours or 2,076 workdays were lost. However, it is estimated that the lost workhours or workdays and income of the OOUR's in which the work interruptions occurred on that basis are negligible. In addition, in most cases the workers have made up the lost workhours by working on Saturdays they had off, by surpassing quotas, through higher labor productivity and by voluntary work in the afternoon. Anticipated income and lost work time were made up in this way in almost 90 percent of the cases.

In certain of the 37 opstinas in which such situations occurred, the opstina and interopstina councils of the Federation of Trade Unions informed secretariats of internal affairs, rather than the basic organizations of trade unions of the work organizations in which these things occurred, as would normally have been expected. This indubitably indicates that in those workplaces the basic organizations of the Federation of Trade Unions were not active enough. Often, it is stated in that analysis, these organizations did not even react to these occurrences, nor by virtue of their political activity did they manage to guarantee faster development of self-management relations in their workplaces.

However, in certain opstina councils particular attention has been paid to organizations of associated labor in which these problems have arisen. A very great commitment is made, the analysis says, to overcome the present situation so that stoppages do not occur in the future.

The question arises spontaneously as to why the workers decide on this method, which contradicts our self-management system and is an unpopular occurrence in associated labor, to resolve problems and conflicts that have arisen. But it is not difficult to find the answer, since it also presents itself spontaneously. Work stoppages usually occur in organizations of associated labor in which self-management and self-management relations are underdeveloped, that is, in which there is less respect for the self-management rights of the workers and in which fuller realization of self-management in the OUR [organization of associated labor] is prevented.

Intertwining of Various Causes

Usually work stoppages are brought about by distribution of net income and distribution of resources for personal incomes that do not conform to self-management. Worker dissatisfaction expressed in this way has been mainly occurring in organizations operating at a low level of accumulation, conditions which arise out of unfavorable economic conditions of the industry or grouping itself, so that unequal conditions come about for the earning of income, and that also means problems in internal distribution.

Workers have also displayed dissatisfaction in this way because of inconsistent application of general self-management acts, especially with respect to regulations governing distribution of resources for personal incomes. This is especially pronounced in those OUR's in which the workers are receiving guaranteed personal incomes. Conflict situations have also occurred because of errors in computing personal income, because of tardy, insufficient and frequently inaccurate information, because work quotas have been set unrealistically or point systems have not been uniformly set up, because rebates for annual vacation were not paid or were paid late....

One of the causes has also been the bureaucratic attitude of supervisors toward workers, as well as their irresponsible behavior toward these occurrences. Allocation of housing units is also among the causes which cause dissatisfaction and indeed even work stoppages. This is usually when the production workers with long work service remain on the list for distribution of

[illegible] without [illegible] it because of [illegible] younger person who is on the list [illegible]

[illegible] analysis especially points out that individuals participate in work stoppages without having any real reason. That is, there are groups of workers who have their own material interest within the general interest. However, it is [illegible] in the analysis that not a single work stoppage in the republic has so far been the consequence of an active effort by the enemy and his organized [illegible] operations. The stoppages are the consequence of worker reaction to certain irregularities, and they always come about spontaneously. In not a single case has there been violation of public peace and order, have their been public hostile statements or demonstrations, damage of public property, or other [illegible] acts of irresponsibility.

The causes, unquestionably numerous, are deeper in nature and intertwined with one another, which is why the Federation of Trade Unions is expected to examine more fully the causes and to eliminate them promptly. This organization ought to be waging the fight every day against every case of callousness and injustice in ruling on the rights of the working people, but it should also keep pace with the development of self-management relations within OUR's and to initiate their more rapid development in workplaces where these relations are developing slowly.

[illegible]

[illegible]

GUIDELINES FOR ANTI-INFLATION PROGRAM PRESENTED

Belgrade BORBA in Serbo-Croatian 17 Jun 82 Supplement pp 3-8

[Text] I. Socioeconomic Foundations of the Anti-Inflation Program

In terms of conception and theory the anti-inflation program is based on the commitments contained in the "Basic Premises of the Long-Range Economic Stabilization Program." The point of departure is the awareness that stability of economic developments depends first of all on the real influence of the workers in associated labor on the trends of material and socioeconomic relations in social reproduction. The general assessment in that context is that the situation is unsatisfactory in achievement of the constitutional status of the basic subjects [in the sense of "principals" or "protagonists"--translator's note] of economic activity, i.e., of the workers in basic organizations of associated labor and other forms of the pooling of labor and capital in the system of social, and especially expanded, reproduction, in the relationships of the free exchange of labor within the framework of organization around particular interests, and through decisionmaking in the delegate system. This status of theirs is one of the basic causes of the instability of economic developments, that is, one of the principal hotbeds and generators of our inflation.

In view of the multidimensional character of our inflation (cost inflation is intertwined with demand inflation, as are structural and imported inflation), the basic solutions and proposals of the anti-inflation program are based on the assessment that the common denominator of all the basic causes of our inflation is that the workers in basic organizations of associated labor have a subordinate position in controlling the entirety of income and the surplus value of labor. Relations are particularly unsatisfactory in the control of income (realizing it, distributing it, managing it and exercisting self-managing over ight over its use) in the system of expanded reproduction and, specifically, in the system of accumulation, and that both in the relations that pertain to its formation and also the relations pertaining to its use. This has led to an escalation of inflation, which has had a powerful impact, among other things, in the direction of a stagnation of the socioeconomic relations of self-management and an increase of administrative and statist interventions and shifts of the balance of power in society in the direction of a strengthening of state-ownership and technobureaucratic monopoly.

Relations of that kind in the system of social reproduction, and in particular the fact that social planning in social practice to date, and especially the plans of sociopolitical communities, have not been based on the plans of basic organizations of associated labor and other self-managing organizations and communities, are the cause of adoption of unrealistic plans and development programs, which have been more plans containing wishes than real assessments of the potential for development on the basis of scientific knowledge. Planning which was not confined to the potential for development resulted by the force of economic logic in the unwise use of the available resources and exaggerated use of deficit financing of various segments of final consumption, especially spending for investment projects and government, based on the printing of money and in exaggerated indebtedness abroad, which also has been having a very adverse effect on the stability of economic developments and on the quality of social relations.

Deficit financing of certain forms of final consumption, especially the expenditure for investment projects, along with the exaggerated foreign indebtedness, has necessarily resulted in spontaneous change of the conditions for conduct of economic activity beyond the range of the influence of workers in basic organizations of associated labor and of their delegates in management bodies in work organizations and other organizations of associated labor, in banks, in assemblies of self-managing communities of interest and sociopolitical communities and in redistribution of socioeconomic power to the advantage of centers of decisionmaking which have gained independence in those organizations and communities, and to the detriment of workers in associated labor.

Relations of that kind in the financing and planning of expanded reproduction have continuously been creating on a broader scale relations which place business organizations of associated labor in the status of ever greater indebtedness to the banks and have placed the national economy as a whole in the position of ever greater indebtedness abroad.

On the premise that relations in the system of expanded reproduction have to be changed, what the intention is to abolish all features of deficit financing of various forms of final consumption, especially spending on investment projects, and to bring supplemental capital from abroad within reasonable and economically justifiable limits.

Cessation of deficit financing of certain forms of final consumption, especially spending on investment projects, along with reduced borrowing abroad, will essentially diminish uncontrolled changes in conditions for conduct of economic activity outside the influence of associated labor, will eliminate sources and generators of inflation, will augment the capacity to form capital and investment, and will essentially reduce the role of credit, and the role of self-financing with resources appropriated from the income of the basic organization and resources pooled on a self-management foundation will be enhanced.

Mastery of income and more direct oversight of its realization and distribution by workers in the basic organization of associated labor and by their delegates will have an essential impact toward its optimum use and toward reduction of operating costs in organizations of associated labor and all forms

of their associations. Returning resources for general public purposes and the social services financed through self-managing communities of interest to the limits of the capability of the economy and society, along with economies of labor and resources in organizations of associated labor, will also tend to strengthen the economy's ability to form capital and reinvest. This will also tend to create more realistic material preconditions for consistent implementation of the principle of the free exchange of labor and for the basic economic subjects to have a more direct impact on decisionmaking concerning the appropriation and use of a portion of income for those purposes.

Implementation of these measures of the anti-inflation program, by reducing all forms of expenditure and resources to meet the community needs of society within the limits of the available income, would at the same time tend to reduce inflation, increase the stability of economic trends, increase the efficiency of economic performance and the quality of decisionmaking (especially in the domain of investment decisions) and, as a synthesis of all that, further reinstate the socioeconomic role of the workers in associated labor and develop the socioeconomic relations of socialist self-management.

The anti-inflation program, then, relies as a whole on the basic subjects of economic activity--the workers in basic organizations and on conduct of economic activity under conditions in which their behavior as commodity producers will be decisive, determined by the force of economic necessity and coercion, with all the advantages of good economic performance and the risks of poor performance. This will also tend to change the behavior of workers in basic and other organizations of associated labor and to orient their activity toward steady growth of income by raising labor productivity, by economy of resources and by more successful adaptation to the requirements of the domestic and foreign markets.

This means that the principal motivation for carrying out this anti-inflation program is the motivation of the workers--the basic subjects of economic activity--to increase income and in that way strengthen the material base of their labor and their personal and social standard of living and to create opportunities for expansion of their influence in decisionmaking on public business, both in the material base and also in the social superstructure.

Principles and Methods of Anti-Inflation Policy

The anti-inflation program, as a part of the program for long-range economic stabilization of Yugoslav society, is postulated on the constitutional status and interests of workers in basic organizations of associated labor and in all forms of association of their labor and the resources of society, as well as on the constitutional status of the republics and autonomous provinces and their responsibility for their own development and the country's overall development, and it objectively operates in the direction of strengthening the self-management relations and material foundation of self-management.

The anti-inflation program has worked out the basic methods and means of economic policy which ought to create conditions for eliminating the causes and sources of inflation and for lowering the rate of inflation, which at the end

reducing the rate of inflation, but which should not be maintained for any length of time.

On the basis of these criteria of anti-inflation policy, in our specific context an anti-inflation program can be acceptable if its goal is to reduce inflation from about 40 percent at the end of 1981 to about 10 percent at the end of 1985. During this transitional period, the rate of inflation would drop at the following pace:

End of 1981	about 40%
End of 1982	about 25%*
End of 1983	about 20%
End of 1984	about 15%
End of 1985	about 10%

* Judging by trends up to now, prices this year will rise more than 25 percent. If self-managing communities of interest for price affairs, the Federal Executive Council and other competent authorities take steps in good time to slow down movements in this area, and if those measures are consistently implemented, a slower growth of prices might be expected.

This schedule should not be seen as a fixed program which cannot be corrected during implementation if objective developments in the Yugoslav economy so warrant.

In the period from 1983 to 1985 a policy of gradual reduction of the rate of inflation would be conducted. In those years administrative methods of the struggle to reduce the rate of inflation would be used to a lesser extent than in the second half of 1980 and in 1981. In other words, the emphasis of the fight against inflation would gradually be shifted to economic methods based on fuller operation of economic laws. This presupposes creation of the socio-economic conditions and undertaking of all necessary measures to eliminate the causes standing in the way of operation of the unified Yugoslav market and the free establishment of ties among basic organizations of associated labor over the entire economic space of Yugoslavia. The task is not just to reduce the rate of inflation, but for the reduction of inflation to be a real indicator of recovery of the Yugoslav economy on the basis of strengthened self-management relations and higher efficiency in the conduct of economic activity.

Combined application of four principal methods is proposed for the transitional period up to the end of 1985:

1. The principal method on which the real success of the anti-inflation program and indeed of the entire economic stabilization program depends is strengthening the efficiency of economic activity. The principal sources for strengthening the efficiency of economic activity are the very large reserves which have come into being and accumulated both in the economy and outside the economy as a result of the lag in development of self-management, inconsistent implementation of distribution according to work, poor management of the resources of society, neglect of the operation of economic laws, and extensive

These methods of anti-inflation policy would be applied in an appropriate combination by means of a number of instruments and measures of economic policy which would be harmoniously linked to one another.

III. The Measures of Anti-Inflation Policy

1. In the process of reducing inflationary disturbances monetary policy must ensure slower growth of the money supply and bank credit, along with the appropriate role and responsibility of the Yugoslav National Bank and the national banks of the republics and autonomous provinces. In a commodity-money economy this would indirectly operate toward reducing the effect of various real inflationary factors, especially in the investment sector, but in the consumption sector as well. These inflationary factors are being fed by expansive issuing of money, but expansive and inflationary operation cannot long continue without the support of monetary factors. It is therefore indispensable to eliminate that portion of demand which has up to now been financed by issuing money, that is, by inflationary means.

Monetary policy aimed at stabilization ought to be supported by achievement of a self-management transformation of relations in the economic employment of money resources and consistent transformation of banking organizations, which, instead of the long arm of governments and political authorities, should become authentic financial associations of associated labor. That would be the basis for strengthening the role of the banks in stimulating the self-management pooling of labor and capital and especially in formulating and pursuing the joint interests of organizations of associated labor as the founders and members of the banks.

In exercise of the right to work with the resources of society, transformation of relations in economic employment of money and other resources of society would be ensured through enforcement of the Law on Expanded Reproduction and Free Labor.

In the financing of investment projects and current reproduction it is indispensable to insist on the application of economic criteria, which must be selectively set up according to their nature. The credit policy of the banks ought to act as an incentive toward strengthening the accumulative capacity of organizations of associated labor and toward the pooling of labor and capital. This anti-inflation program also requires a radical limitation on the transformation of maturities whereby short-term funds become bank lendings for capital investment projects.

During the transitional period up to the end of 1985 monetary policy should be programmed annually so as to guarantee a gradual slowing of monetary growth in line with the economy's capabilities, while growth of the social product would be maintained at an annual rate of 2-3 percent. In this connection there must be consistency in the realism in the annual programming of monetary policy.

If monetary policy is to be able to effectively contribute to reduction of inflation in the country, it is essential to maintain the solvency of economic organizations, under the condition that they adapt relatively quickly when

distribution of income--they are concealed either in the costs of materials on which they are paid or in so-called net personal incomes from which each worker pays them, regardless of his consumption of the products and services on which these taxes and charges are paid. Changes in this direction would also contribute to invigoration of delegations in organizations of associated labor as well as in local communities, who would give their delegates in chambers of associated labor and in other chambers of assemblies of sociopolitical communities competent for making decisions on taxes and other charges more definite basic positions and guidelines for decisionmaking on these taxes and charges, respecting the capabilities and needs of the economy and the standard of living of the workers.

It is also indispensable to expand somewhat the progressive taxation of the total income of individuals, care being taken that the tax progression not conflict with the economic incentives of the working people. In that context taxation of property, of income from property, of inheritance, of transfers of real estate, etc., should assume greater importance.

In the furnishing of funds for social services which are provided in the framework of or through self-managing communities of interest, the right of the workers pooling their funds for that purpose to decide on those funds and to free exchange of labor to pay for the services of organizations of associated labor in the social services according to their real volume and quality of the services which they render shall be consistently safeguarded. In addition, the rendering of social services in the framework of or through self-managing communities of interest on the principles of reciprocity and solidarity would be reduced in view of conditions to the really necessary measure, which also presupposes reassessment of certain rights which are not in line with real material capabilities. The other services of organizations of associated labor in the social services to organizations in material production and to the working people would be rendered through direct exchange depending on their ability to furnish the relevant needs in that manner and on their particular interest in development of certain activities.

The orientation toward reduction of resources for social services and their more optimum distribution among individual activities on the basis of consistent application of the free exchange of labor will contribute to optimalization of operation and conduct of business in the social services.

In order to ensure development of the social services, more optimum use of funds for the social services and an adequate rise of employment in this sector, there is a need for gradual introduction of partial payment for the various services of organizations in the sphere of the social services, such partial payment to be established rather flexibly in view of the different income structure of households.

The pace and scale of these changes in the system for financing government and the social services, as well as the specific forms in which they would be effected--forms of distribution, the base, the rates, etc., should be examined in detail and established by the competent authorities. Since establishment of indirect taxes and other indirect charges lies mostly in federal

(1) In order to ensure a higher degree of equilibrium between the supply of and demand for investment capital and to reduce the use of bank credit to finance investment projects, when banks supply credit financing there is a need to use the system of mandatory participation of the investor with his own capital and the pooled capital of other organizations of associated labor, including funds for more rapid development of the economically underdeveloped socialist republics and socialist autonomous provinces. The share of all these resources would amount to at least 40 percent of the estimated cost of investment projects, and only in certain priority sectors could a lower percentage for these funds be accepted.

In later years these minimum rates of participation of "own" and pooled capital would be gradually raised. Within the confines of the investor's own capital there would be a radical improvement of the proportion between funds already set aside (accumulated) for investment projects and the future inflow of investment capital.

Joint programs should be financed to a greater extent through resources pooled in banks on the basis of self-management accords on the basic components of the bank's plan and on the basis of plans of organizations of associated labor adjusted to those banks. Appropriate collaboration among the banks is also indispensable to that end.

In any case the financial liability of the users of those resources for realizing through their use the income necessary to cover production, to pay off loans, and to compensate for their use must be established.

(2) When an investment decision is being made, objective economic criteria need to be used considerably more rigorously than up to now in evaluating the economic efficiency of the various investment projects, which should be ranked on that basis. The interference of political factors in the process of economic evaluation of investment projects and also in the taking of investment decisions needs to be eliminated. The decision on a major investment project should not be made without a prior referendum of the work force of the investor, who shall also incur penalties in case of failure. A strengthened role of banking organizations and also of relevant scientific and specialized institutions in professional verification of investment projects is also indicated. When investment projects prove to be failures, provision is made for both the investors and the banking organizations here to incur economic penalties. In addition, there is a need to strengthen the personal accountability of professional managers, designers and others should investment mistakes be made.

(3) The program calls for an essential reduction of cost overruns on investment projects. First, in the process of economic stabilization the rate of investment will be dropping, and thereby competition among project planning organizations, construction organizations and organizations manufacturing and installing equipment will be greater. Second, the rate of inflation will be drastically reduced, and that will bring about a reduction in cost overruns of investment projects. Third and most important, the strengthening of economic activity and economic penalties will tend to bring about a more rigorous

disparities, world prices being adopted as criteria, but consideration being paid at the same time to our economic policy. In the implementation of this anti-inflation program responsibility for the overall movement of prices as well as for the movement of price relations would gradually be transferred more and more to organizations of associated labor in their mutual relations.

3. There is a need for uninterrupted conduct of the policy of the realistic rate of exchange of the dinar, which should contribute to the following: (1) improvement of export performance and righting of the balance of payments, and (2) optimalization of economic processes and intensification of the operation of the laws of a commodity-money economy.* In the period up to the end of 1983 the policy of the realistic rate of exchange will in objective terms signify a policy of regulating depreciation of the dinar's rate of exchange. In that transitional period depreciation of the dinar's rate of exchange will each year be smaller and smaller because of reduction of the gap between the Yugoslav rate of inflation and the average rate of inflation in the advanced countries with a market economy.

The policy of the regulated depreciation of the rate of exchange of the dinar in the transitional period will bring about a rise in prices of goods imported into our country, which will act as a factor of cost inflation. However, this negative effect of conducting the policy of the realistic rate of exchange of the dinar is inevitable and cannot be avoided as the anti-inflation program is carried out, but an endeavor will be made to offset these inflationary pressures by the other components of the program for suppressing inflation.

The policy of the so-called realistic depreciation of the rate of exchange of the dinar is not being adopted in this anti-inflation program; that would signify that the depreciation of the rate of exchange of our currency would be greater than the gap between the Yugoslav rate of inflation and the world rate of inflation. It is fundamentally wrong to attempt to solve certain real problems of external disequilibrium (which can arrive, for example, from the specific makeup of the supply, from product quality, and so on) by manipulating the rate of exchange and by moving it away from the equilibrium value. The task of exchange rate policy is to solve only those problems of exports which occur because of disparities of price levels within and outside the country. In addition, the policy of excessively strong depreciation of the dinar's rate of exchange, beyond the limits of formation of new equilibrium parities of the overall price levels inside and outside the country, would have an excessively strong and unnecessary impact toward strengthening cost inflation within the country.

It is absolutely unacceptable to pass on foreign exchange (import) rights of certain entities to others if this is done on the basis of black market rates of exchange, which vary widely, since they are formed for each specific transaction. Such practice signifies a violation of the realistic rate of exchange

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* This program does not enter into the other issues of foreign economic relations since they are taken up in a part of a specific program of foreign economic relations, but in that connection we should emphasize that the goal of achieving convertibility of the dinar is being borne in mind here as well.

of the dinar and injects strong inflationary pressures in economic organizations purchasing production supplies or other goods at those unlawful rates of exchange. This anti-inflation program, then, insists that transactions between economic organizations or other entities can be conducted only at the official rate of exchange of the dinar, which, of course, would be understood to be a realistic rate of exchange based on the objectified criteria that has been indicated.

A third abnormal in interest rate policy to allow the level of those rates to be out of touch with rates of inflation. This brings about a number of distortions in the economy, especially with respect to the siphoning off of accumulation. That is why the stand has been taken that in the long-range economic stabilization of the Yugoslav economy an end must be put to the policy of negative real rates of interest and the operation of the interest rate mechanism must be reestablished. In this connection it should be borne in mind that the abrupt alignment of interest rates to the present rates of inflation, by way of the price differentials between them, would during the transitional period constitute a powerful blow to the economy at a time when it is already confronted with other difficulties arising out of implementation of the anti-inflation program. That economy is overburdened because of the relations that were established up to now in financing, and this additional interest rate burden could on a large scale it would not be able to withstand. That is why relations between the rates of inflation and interest rates should be normalized first by reducing the rate of inflation during the transitional period up to the end of 1983.

However, even during the implementation of this anti-inflation program in the transitional period, along with the efforts to change relations in the system of financing reproduction, certain corrections could be made in nominal interest rates, especially in the interest rate structure toward greater adaptation of interest rates to the rates of inflation. In the second phase of carrying out the comprehensive policy of economic stabilization, after the anti-inflation program has been successfully completed in the transitional period, positive real interest rates would be set as an essential component of the overall orientation of a healthy commodity-money economy.

If the anti-inflation program is to operate successfully, it will be necessary to implement a more active public policy toward organizations of associated labor operating at a loss. In current practice there is a high degree of solidarization of the losses of organizations of associated labor, which tends to detract from the motivation of work collectives and even to make them unconcerned with practicing economy in the conduct of business. A policy of more severe measures which would be applied on the basis of this anti-inflation program to organizations operating at a loss should achieve, first, consideration of the problems of adaptation of organizations of associated labor not only in the sense of covering losses but also of eliminating them, and second, it should have a preventive effect on the behavior of organizations so that they would not keep a situation of recurring losses, that is, so even making unrealistic calculations that rises do not even come close to a situation when a large number of them cease operations.

It is taken for granted in this anti-inflation program that in the process of reduction of rates of inflation there will be larger losses in the business of the economy. That is why mechanisms are envisaged which will operate toward eliminating losses in the economy as the economy is brought onto a trajectory of sound development. There are three sets of mechanisms for absorbing losses within the confines of this program.

Within the framework of the first step of mechanisms to absorb losses the following measures are projected: (1) Economic penalties in the form of reduction of nominal personal incomes by a certain percentage would be applied to an organization operating at a loss. (2) An organization of associated labor which has a loss in its business operation as shown on the year-end statement shall not pay taxes and contributions out of income, nor will it be obliged to set aside funds for mandatory pooling either into funds for underdeveloped regions or for certain priority investment projects for which mandatory pooling of capital is being done on the basis of law. (3) In organizations which have losses shown on the year-end statement depreciation write-off would be dropped below the legally prescribed rate, the depreciation lost thereby to be made up in subsequent years. (4) As part of carrying out the emergency financial rescue program in these organizations, when they have a surplus of employed workers, consideration must first be paid to the possibility of eliminating that surplus by introducing new work shifts, through better utilization of capacity and through expansion of the production program. If this is not possible, the size of the work force should be reduced, an effort being made at the same time to employ the surplus workers from one basic organization in other basic organizations within the same work organization or complex organization of associated labor. (5) In the very drafting of the emergency financial rescue program at the end of the first year of business operation at a loss new elections would be held of members of the workers council and professional management. If performance of the emergency financial rescue program requires 2 years or more, the members of the workers council and professional managers would come up for reelection each year, which would be an occasion for evaluating the effectiveness with which they have been performing their functions. Nor do these measures preclude the application of temporary measures of social protection of self-management rights and public property.

The emphasis within the second set of mechanisms to absorb losses is on solidarity and joint responsibility of other basic organizations associated in the work organization or complex organization as well as in the self-managing community of interest, in accordance with the self-management accord on entry into association. Economic penalties should also be borne by banking organizations whose organizations of associated labor using bank credit are operating at a loss. The first penalty would consist of the possibility that the emergency financial rescue program of organizations operating at a loss may envisage writing off obligations to pay interest on bank credit. A second measure would consist in postponement of payment of investment credits for that year, which would signify prolongation of investment credits by 1 year.

Should the capabilities of the mechanisms described above to absorb losses be exhausted, and should undistributed losses still exist, the third set would come into play. This mechanism consists of the following components: (1) On the

increasing the efficiency of economic activity, which in the context of carrying out the stabilization program in the economy and in social reproduction in general ought to be an essential component of the plans of all organizations of associated labor.

Programs for increasing the efficiency of economic activity of organizations of associated labor might contain the following essential components: (1) measures to raise labor productivity, (2) measures to reduce the costs of business operation, (3) measures to increase the turnover coefficient of working capital, (4) measures to increase the coefficient of the efficiency of fixed capital, (5) indispensable production innovations and changes in production programs, (6) measures to improve the organizational model in the work organization from the standpoint of economic efficiency and the effectiveness of self-management, (7) a program of exports and imports, (8) measures to alter the financial structure of the work organization in the sense of reducing the level of indebtedness, (9) a program of growth of gross and net personal incomes, (10) a program for the growth of depreciation and accumulation of business assets, (11) the program for use of gross accumulation, (12) a program for growth of the reserve fund.

The entire work force should participate in all phases of drafting and carrying out the program for increasing the efficiency of economic activity, since under conditions of self-management this is a guarantee for the completeness, realism and effectiveness of these programs. Bodies of workers management and the professional management structure would have the role of coordinators in formulating and carrying out these programs. The principal source for increasing the efficiency of economic activity of work organizations both in the economy and in the social services are the enormous hidden reserves which have come into being over a lengthy period because economic criteria have been dropping. Now these large hidden reserves which have accumulated should be activated as the principal source for strengthening the efficiency of economic activity.

9. Consistent application of the principle of distribution according to work, both in the division of income into funds for personal incomes and funds for expansion of the material base of operation and reserves, as well as in the distribution of resources for personal incomes among individual workers, has particular importance to invigorating the factor of higher labor productivity and more effective business operation of organizations of associated labor in general.* Relations in the system of division of income and distribution of funds for personal incomes are an essential part of a system of socioeconomic relations of socialist self-management and, in accordance with the unity of that system, they must be based on the same principles in all organizations.

* Relations in this field will be the subject of a specific program within the framework of the long-range economic stabilization program, and a fuller analysis of the situation will be given there and more definite measures and tasks will be proposed for improvement of relations in this area. They are indicated here only as one of the essential components of the anti-inflation program as well, without which it would not be possible to carry it out successfully.

The bases and scales for division of income and the bases and scales for distribution of funds for personal incomes shall be established through self-management by the workers in every basic organization of associated labor, since they represent conditions of their labor and of their realization of income, that is, since the working conditions and conditions for realization of income and the conditions for activating the factors of higher labor productivity and more successful conduct of business are specific in every organization. But for the same contribution of labor, including here also the contribution made through management of the resources of society and the business operation of the organization in general, expressed in income and in its relationship to the work invested and the capital used, those bases and scales must yield at least approximately the same personal income regardless of the activity or organization in which it was realized. This presupposes, then, establishment of joint bases and scales through conclusion of self-management accords among organizations of associated labor, in which the constitution and the Law on Associated Labor have given a specific role to the trade union as a participant in conclusion of these agreements in that it is empowered even to initiate a dispute before a court of associated labor if it feels that a self-management accord on the bases and scales for division of income and distribution of resources for personal incomes does not meet the principle of distribution according to labor.

Since the division of income and distribution of resources for personal incomes in organizations of associated labor establish certain proportions in the distribution of the gross income realized in the jurisdiction of the particular sociopolitical communities as well, and since inappropriate relations in that division and distribution may also cause disturbances in flows of social reproduction and jeopardize realization of the common interests and goals of development established on a self-management basis in the relevant sociopolitical communities, those communities, that is, their bodies and agencies, shall also have a certain role in ensuring the necessary relations, in particular in preventing disruption of normal flows in social reproduction through social compacts in which they join with the trade union and other interested public entities to establish the bases of policy in this area.

Yet up to now the conclusion of self-management accords and social compacts concerning these relations has not yielded satisfactory results. Since the anti-inflation program assumes firm maintenance of the necessary proportions in distribution of the national income and a rise in operating efficiency and business efficiency of organizations of associated labor as essential conditions for bringing the flows of social reproduction into stable conditions, the successful conclusion of self-management accords and social compacts in this area has exceptional importance to carrying out both the anti-inflation program and the economic stabilization program in general. All entities participating in social reproduction, then, especially workers in associated labor, the trade union and the bodies and agencies of sociopolitical communities, are faced with the urgent task of building as speedily as possible an appropriate system of relations in this area and of guaranteeing its consistent application and of thereby ensuring successful implementation of this anti-inflation program as well.

10. The measures which are to be taken in conformity with this program will have a differing impact on the various regions of the country as a function of the level of their economic development. This must therefore be borne in mind as this anti-inflation program and also the long-range economic stabilization program as a whole are carried out, especially with respect to SAP [Socialist Autonomous Province] Kosovo, as a markedly economically underdeveloped region.

IV. Social Aspects of the Anti-Inflation Program

The social aspects of the anti-inflation program, though they will be the subject of a specific document, must constantly be borne in mind in consideration of the methods and rates of lowering the rate of inflation toward the goal of making the transition to a course of sounder economic development. The slower growth of the social product in the transitional period up to 1985, at about 2-3 percent annually, which is absolutely necessary because of the limits imposed by the balance of payments, will certainly have certain effects on the growth rate of employment. Although the problems of employment policy are the subject of a specific document within the framework of the long-range economic stabilization program, several measures have nevertheless been proposed in this anti-inflation program which would implement a vigorous social welfare policy. It would compensate for the adverse effects on the growth of employment which arise directly from the necessary slower growth of the social product in the transitional period. The measures being proposed are as follows: (1) To a certain extent work collectives would influence the growth of employment through their income policy, by reducing operating costs and by a quite considerable growth of income and establishment of more favorable proportions in distribution of income between consumption funds and accumulation funds. (2) The growth rate of employment would also be affected by the choice of appropriate technology and especially by the alternative between labor-intensive and capital-intensive technology. (3) Introduction of shorter working hours is proposed for certain categories of workers. (4) A portion of the growth of employment would be achieved through the policy of faster development of small business and especially agriculture.

Another aspect of the problem of employment is that unemployment which comes about in the process of the considerable structural adaptations of the Yugoslav economy and the social services. The following recommendations are offered in order to moderate that kind of unemployment: (1) The educational system would have to be organized in such a way that it cannot only keep pace with changes in the composition of workers in various specialties and backgrounds, but even anticipate those changes. Also, aside from regular education, there must also exist a special educational system that would furnish worker retraining through a system of courses. (2) Hiring for jobs with shorter working hours would be used in order to mitigate welfare problems of surplus workers wherever this is related to structural changes in the economy and the social services. (3) Greater use of solidarity funds is proposed as a source of resources to provide welfare income for workers who have been left unemployed in the processes of structural changes.

With respect to parttime work it should be borne in mind that parttime work would in fact suit certain categories of workers (mothers with small children),

trainees who are combining their work with continued schooling, and so on). Hiring for parttime jobs might also be used as a way of selecting new employees, who would be shifted to fulltime jobs when they have proven themselves with their work. These problems have differing importance in different regions of the country and must be solved in accordance with the specific features of those regions.

Implementing this anti-inflation program inevitably requires far greater work discipline and technological discipline. No one can hold a monopoly over a job. That is why unconscientious performance of work duties and serious violations of work duties and work discipline must entail more rigorous penalties, including termination of the employment relation.

Following successful completion of the first phase of the program for stabilization of the Yugoslav economy and of strengthening economic efficiency, along with greater use of the criteria of the world market, which ought to be completed by the end of 1985, this program envisages that in the second phase of the policy of the economic stabilization program there would be a new rise of the rate of economic growth to approximately 5 percent annually, but on the basis of a higher quality of economic performance and a high export content of Yugoslav output. At that time the emphasis of economic and social policy would be on completing construction of a sufficiently dynamic economic fabric which would be able to completely absorb the able-bodied population. However, even after completion of the first phase of economic stabilization, approximately up to the end of 1985, our country would still have to be prepared for persistent processes of readaptation, modernization and restructuring, which follow from the technological revolution as well as from changes in the comparative advantages of countries in the framework of the world economy. These dynamic changes in an export-oriented Yugoslav economy cannot be accomplished without substantial changes in the composition of the work force. Only on the basis of an export-oriented and well-organized Yugoslav economy with a high rate of accumulation can we build dynamic rates of economic growth on stable and qualitative foundations at the end of the transitional period and beyond that ensure an adequate rise of employment and the standard of living.

Concluding Remarks

This program, which contains the global strategy of the fight against inflation along with indications of the main directions of action and key changes which should be accomplished, has not treated with the same thoroughness all the elements of anti-inflation policy. It has given the main directions, methods and means of action, since a prerequisite for its accomplishment is synchronized activity in all domains of the economic system and economic policy, in which the angle of suppressing inflation is predominant and specific to it. The answers to many questions will be furnished by other parts of the long-range economic stabilization program, along with elaborate proposals.

It is especially emphasized that all the quantifications in this program are indicative in nature. They have been given only to provide a closer idea of the character and depth of the forthcoming changes. The quantifications which

will be contained in the long-range program should follow only after verification of the social accounts and balances as a whole, i.e., after an examination of the impact of all the measures on the formation and distribution of the social product. This specialized part of the job must be performed conscientiously. But it will not alter the basic course and orientation, but will only give it true quantitative dimensions.

Implementation of the economic stabilization program depends on the involvement of the subjective forces and on their determination to set in motion the broadest campaign to carry it out as well as on the clear commitment of the LCY and other subjective forces to stand united behind this undertaking.

The measures which are to activate unutilized potential and initiate a saving of labor and social capital have been set up so as to achieve even more, since, on the basis of all the assumptions we have referred to, more is in fact possible. This will depend greatly on the manner and degree of success in activating those factors of development which do not require new investments--utilization of underutilized resources of society, fuller use of work time, introduction of more than one shift, as well as those which do not require any significant share of the foreign component--agriculture, construction, small business, individual work and initiative, etc. Successful operation of the unified Yugoslav market, the pooling of labor and capital, joint revenues and income on the basis of division of labor and joint ventures, those are the real reserves which can shorten the road of the economy's adaptation, along with higher growth rates than those envisaged, higher employment and higher labor productivity. It is just as important to conclude self-management accords and social compacts and make decisions more rapidly and punctually in the establishment and adoption of realistic plans and also other decisions which are made within the delegate system.

Under these conditions it can be expected that the workers will adopt this kind of orientation of the anti-inflation program, since they know the meaning of extirpating the roots of earnings now based on labor and better management of the resources of society, provided, of course, that this is the method of operation and way of life of the entire superstructure as well, from the bottom to the top. That is, on this occasion the awareness must prevail that the social superstructure cannot persist on its present scale, with its tendency toward uninterrupted expansion. Its institutions have to be reassessed and, if it proves that some are not essential, they have to be abolished or reorganized so that they are more effective and cost less. The method of operation and decisionmaking should be adjusted to the needs of the times and the character of our self-managing society. Otherwise the workers may perceive this program as a restrictive one, not because of its economic meaning, but because it one-sidedly calls only upon them to change their behavior and make efforts, and that at a time when efforts have to be concerted and sacrifices made by everyone.

This program also assumes that the entire set of policy measures and the measures of the economic system will create conditions for optimum behavior of work collectives and for an independent decisionmaking on income and its division, as well as on the essential proportion in distribution of the social

product. It is natural for those proportions to be envisaged in social plans and in the plans of organizations of associated labor, but not as a measure prescribed from outside which is to be honored by every organization of associated labor. The nature of our basic economic entity, both as a commodity producer and as a social entity, justifies the assumption that under normal economic conditions the worker will think both of the present and the future, will behave both as a worker-producer and also as a manager. This is an essential condition of his existence and of self-management as a system.

The economic difficulties experienced up to now have brought about certain ideological vacillation and have revived certain conceptions which were already superseded. Realization of the anti-inflation program and the stabilization program as a whole will bring about further and deeper development in the economy and society which will be given differing ideological assessments and will evoke ideological ferment. The Commission for Problems of Economic Stabilization has taken this into account, and this was the principal reason why its first document was entitled "Basic Premises ..." and why it examines the problems of stabilization predominantly in terms of principle and ideology. Now, in the phase of enactment of the specific programs, it is necessary that we also point to the need for a far more intensive ideological effort and for the actual preparations to carry them out. The 12th LCY Congress is an occasion for taking the necessary steps on that road, and immediately after the congress there should follow a well-programmed and comprehensive campaign that will reach every social cell, every organization of associated labor and every workingman. This will make it possible for every workingman to understand the goals and measures of economic stabilization, as well as the efforts which are waiting for everyone, so that he gets his bearings and sees his own interest and future in that activity, both as an individual and as a factor in society.

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